

FINANCIAL RESOURCES FOR IMPLEMENTATION OF TOBACCO CONTROL MEASURES: POTENTIAL OF INNOVATIVE FINANCING*

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Abstract

Background: Mobilization of financial resources for implementation of the WHO Framework Convention for Tobacco Control (FCTC) is at the core of sustainable measures that are necessary to implement the FCTC. A decade after the adoption of the treaty, such a financial mechanism has yet to be established. The issue of resource mobilization will be examined by the WG which will submit its recommendations to COP6 in 2014. In the meantime, through the innovative financing mechanisms like the Global Fund and UNITAID, the international community had already participated in contributing to global public goods to fight infectious diseases. There is a clear opportunity to integrate such experiences in tobacco control.

Research Objective: The research seeks to analyze the funding gap at domestic and global level, opportunities for further global cooperation, and develop a set of feasible options for innovative financing mechanisms to support implementation of the FCTC in developing countries as well as to augment resources for treaty financing.

Methodology: The study explored these issues through a review of literature as well as surveys and key informant interviews; and simulations to project amounts raised / required were made for selected innovative financial mechanisms.

Results: The study points out the funding gaps at both country and global levels and the common challenge of insufficiency of data to accurately measure the needs. However, experience shows that developing nations have been able to pinpoint needs through proposals in light of available grant money.

Tobacco control focal points appreciate the much needed technical and financial assistance, value the importance of international cooperation to promote multisectoral collaboration within the country, welcome incremental funding, recognize the need to explore financing mechanisms, and are open to the idea of establishing a global fund.

Incremental funding could have a positive impact in strengthening ongoing global activities to support tobacco control. Even without incremental funding, some agencies could provide further support at the request of the countries, subject to the availability of funding.

Ideal financing mechanisms should be tax based, preferably on tobacco, must not substitute ODA, consider legal issues, cost effective and identifies uses and Solidarity Tax Levy (STL) and Tax on Repatriated Tobacco Profits (TRTP) may qualify. Even if only a handful of countries participate, these mechanisms can raise significant amounts with minimal contributions (at most 2 cents per high income country). Amounts raised can be modest. For instance, 20M is almost double the FCTC Secretariat's budget and is practically half of the developmental assistance for tobacco control in 2009.

Conclusions: The need for funding in tobacco control cannot be overemphasized. There is interest in innovative means to charge tobacco companies for the unusual burdens it causes both society and governments and this needs to be threshed out in a proper forum. STL and TRTP would be a good starting point for discussion. A deeper understanding of the political concerns would surface and can possibly be addressed only if the ideas are allowed to be debated on in the appropriate forum. Many of the FCTC Parties have already participated in at least one form of innovative financing mechanism; the support and participation of a handful of parties and the openness of the rest is sufficient to successfully develop an innovative financing mechanism.

Keywords tobacco, tobacco control, FCTC, innovative financing, solidarity tobacco levy, tax on repatriated tobacco profits

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EXECUTIVE SUMMARY

Mobilization of financial resources for implementation of the WHO Framework Convention for Tobacco Control (FCTC) is at the core of sustainable measures that are necessary to implement the FCTC. During the FCTC negotiations from 1999-2003, though developing countries had emphasized the need for appropriate financial mechanisms to assist them in implementing the range of activities envisaged by the FCTC and supported the establishment of a multilateral fund to support activities to meet the objectives of the Convention, a few developed countries objected to the establishment of a voluntary financial mechanism. Thus, the FCTC was adopted without a financial mechanism to support its implementation. Instead, it was agreed in Article 26.5 that the Conference of the Parties (COP) shall review the existing and potential sources of mechanisms of assistance, which shall be taken into account by COP to determine the necessity to enhance existing mechanisms, or establish a voluntary global fund or other appropriate financing mechanisms to channel additional financial resources, as needed, to developing country Parties or transition economies.

However, a decade after the adoption of the FCTC, such a financial mechanism has yet to be established. Upon considering the Secretariat's report on the progress in the mobilization of resources and the performance of the mechanisms of assistance, the COP sought to improve existing mechanisms of assistance (including primarily donors' database, needs assessment, South-South/ triangular cooperation) and established a Working Group on Sustainable Measures to Strengthen Implementation of the FCTC (WG). The issue of resource mobilization will be examined by the WG, which will submit its recommendations to COP6 in 2014.

In the meantime, through the innovative financing mechanisms like the Global Fund against AIDS, TB and Malaria (the Global Fund) and UNITAID, the international community had already participated in contributing to global public goods to fight infectious diseases. Much can be learned about the administration and structure of such funds to address universal concerns relating to the transparency, accountability, and equity in the administration of funds. There is a clear opportunity to integrate ideas and experiences on innovative financing into the deliberations on resource mobilization for FCTC implementation.

Research Objective

The research seeks to analyze the funding gap at domestic and global level, opportunities for further global cooperation that may require global funds, and develop a set of feasible options for innovative financing mechanisms to support implementation of the FCTC in developing countries as well as to augment resources for treaty financing.

Methodology

The study has explored these issues through a review of literature as well as surveys and key informant interviews. Simulations to project amounts raised / required were made for selected innovative financial mechanisms.

Particularly, questions pertaining to details on funding needed and possible design of innovative financing mechanism for tobacco control were addressed to country representatives and civil society representatives. Information relating to how funding can be used to strengthen support of other international organizations were received from secretariats and experts from multilateral organizations, multilateral and regional development banks, regional organizations and their pertinent programs / committees/ departments. Information relating to global fund management, administration/ collection, and governance were received from experts in multilateral organizations, fund administering agencies and civil society contacts.

Funding Gap: Country Level

Tobacco control focal points surveyed confirm literature which explains that tobacco control is underfunded. Developing countries spend roughly only 1-10% or less than \$65M of the cost of tobacco control best buys (ie, four cost effective interventions which excludes treatment and education) (total of \$620M). The budget of the FCTC Secretariat is roughly \$13M, a small part of this goes into country level support. Development assistance averages at \$40M to 50M per year in 2009, and possibly as high as \$100M per year currently.

Actual data relating to the amount needed for tobacco control remain insufficient. Needs assessment is being utilized to determine the financing required for the parties to implement the treaty but there have been many questions as to how helpful the process had been.

Based on the survey and KII responses, it can be concluded that for all of the areas of tobacco-control that are considered to be important by countries, incremental and additional funding could significantly assist in the implementation of those activities.

Challenges to mobilizing resources at the country level include

- inadequate funding as a result of competing interests in public health and national priorities;
- possibly lack of familiarity with the budget including the failure to identify specific needs;
- inflexibility of funding / budget due to bureaucracy vis a vis grant funds from private sources;
- lack of clarity on how mechanisms of assistance such as database and needs assessment have contributed to increasing funds for FCTC implementation;
- possibly due to adherence to general financial management principles, only a few countries have explored earmarking tobacco taxes for tobacco control;
- donors typically require needs to be identified but data and capacity to identify needs may be lacking.

The insufficiency of resources at the country level is sometimes compounded by the lack of will due to tobacco industry interference through corporate social responsibility initiatives or lobbying. Various public health interests generally and historically compete in securing funding from limited sources. There are only a handful of specific funding sources that has been made exclusive for tobacco control, a significant portion of which is from the philanthropist organizations, Bloomberg Initiative or Gates Foundation. While the private sources have predominantly supported a certain number of cost effective interventions under the WHO MPOWER framework, they do not address many other FCTC based interventions like alternative livelihood, product regulation, curbing illicit trade, etc.

The reorganization of the WHO TFI in a manner to make tobacco control part of the NCD basket was purposely made to attract more funding for tobacco control. Nevertheless, there is also no estimate of how much incremental funding for domestic implementation can be expected by highlighting FCTC in the NCDs.

Thus far, the resource mobilization strategies are limited to some identified tools (database, network) instead of a funding strategy that involves organizational management and stakeholder relationships enabled by a communication strategy.

Despite the lack of data and capacity to estimate the specific needs of developing countries, developing nations are able to identify priority tobacco control activities when funding opportunities are available. For instance, the availability of grant funds (e.g., Bloomberg Initiative) has accelerated tobacco control program implementation. The public health impact is enormous. At least four billion people worldwide are now protected by at least one of the six proven tobacco control policies

Funding Gap: Global Activities

While the budget for the proposed workplan for 2013-14 was US\$ 17.47 million, increasing at 14-17% per biennium, the VACs stands at US \$9.107 million. Parties have not agreed to increase VACs. Meanwhile, extra-budgetary contributions are typically earmarked for specific treaty activities. Therefore, the scope of core activities is limited by lack of predictability and stability of funds.

Other costs for global activities that have yet to be estimated include costs of other activities that can be prioritized if funding is available such as budget to support all the decisions of Committee A, full travel support and budget for joint activities and programs with multilateral agencies like WCO, FAO as well as ILO and Interpol to prevent tobacco industry funding. Information on WHO TFIs budget for tobacco control is not available but is critical information to project total costs of global activities for FCTC. Survey shows a perceived need for activities at the global level that are currently unfunded.

To compare, budgets of various treaties such as UN Framework Convention on Climate Change, Convention on Biological Diversity, and Basel Convention have doubled and even tripled in a span of 10 years (currently \$20 to 50 Million). This excludes trust funds that are administered under the treaty for supplementary activities. For example, the Trust Fund for Participation in the UNFCCC provides support for one delegate from each eligible Party plus a second delegate from each least developed country to participate at sessions.

Challenges in resource mobilization at the global level include

- Slow progress of the COP in addressing the need for additional financial assistance for treaty implementation. Clamour for financial assistance had been present since the negotiations and it was only a decade later that a Working Group on Sustainable Measures to Strengthen implementation of the FCTC (WG) was established. The scope of the WG is too broad to meaningfully focus on resource mobilization
- Donors typically focus on results-oriented activities and extra-budgetary contributions are earmarked for specific use

Role of International Cooperation and Multisectoral Cooperation

Most respondents are of the view that multisectoral cooperation at the international level contributes greatly to domestic implementation and that technical output is the most important output of cooperation among multilateral agencies and states. In addition, financial assistance, a global fund, and exchange of specific information are viewed as very important results of such international cooperation. Respondents identified many potential areas of collaboration at the global level but do not correspondingly view financing these activities as priorities vis a vis country-level implementation.

Except for the WTO, incremental funding could have a positive impact in strengthening ongoing global activities to support tobacco control in all intergovernmental organizations interviewed. The limitation of the WTO stems from the limited mandate of the organization to deal with specific products. Particularly, agencies like the UNDP, World Bank (WB), ILO, WCO, UNCTAD and FAO could strengthen and expand some specified activities with incremental funding. Some regional development banks may be attracted to work on tobacco control if external funding is available.

Even without incremental funding, WB, UNDP, FAO and ILO, which undertake tobacco control related activities could provide further support at the request of the countries, subject to the availability of funding. For instance, the FAO indicated that it can provide technical assistance for alternative livelihood if governments make such a request and additional funding is available. Short term additional funding could also assist in raising the profile of tobacco control related activities and mainstreaming the same within the other programs of the organization and this reduces agencies' reliance on external funding for tobacco control in the long run.

CSOs raised concerns that the tobacco industry has taken advantage of the funding gap by directly funding tobacco-control related activities such as Interpol's enforcement activities or indirectly supporting programs such as ILO's anti-child labour campaign through IPEC. Such a situation could lead to potential violations of Art 5.3 for participating countries.

Financial Mechanisms, Potential Sources and Ideal Design

Innovative financing comprises mechanisms of generating new revenue streams earmarked for development activities such as new tax or levy like the international solidarity levy on airline tickets, voluntary charges, or bonds, or creating new approaches to pool public and private funds. Some of the existing mechanisms are the Global Fund, UNITAID, Advance Market Commitments for vaccines, and GAVI. For example, participating countries in the international airline ticket tax system imposes a small tax on the purchase of domestic or international airline tickets for all flights originating from those countries. A proportion of the revenue raised is channelled to the UNITAID which is an international drug purchasing facility for affordable access to HIV, TB and malaria treatment. Since 2007 US \$2 billion has been raised through this mechanism. Many FCTC parties, both developed and developing countries, have participated in the development of various innovative financing mechanisms.

Although tobacco taxes have been discussed in many fora where innovative financing discussion has been mainstreamed, only two innovative financing mechanisms for tobacco control have been studied so far: The .05 cents Solidarity Levy on tobacco products (WHO STL) and the 1% tax on repatriated tobacco profits (TRTP). Despite these two studies and the avid discussions in various forums on the concept of tobacco taxes for development and the involvement of many FCTC parties in such discussions, this debate has not extended to the COP.

Survey shows that respondent focal points appreciate the much needed technical and financial assistance, value the importance of international cooperation to promote multisectoral collaboration within the country, welcome incremental funding, recognize the need to explore financing mechanisms, and are open to the idea of establishing a global fund.

Literature supports experts' claims that sustainability and regularity of financial flows is considered as one of the key issues in designing new financing mechanisms. Elements contributing to an ideal financing can be summarized as follows:

- a. Tax based, preferably on tobacco;
- b. Various sources of funds ideal as long as additional (not ODA substitute);
- c. Cost effective governance system with private sector and CSO support;
- d. Legal issues considered (administration, laws, bilateral tax treaties);
- e. Use of funds identified.

Potential Impact of incremental Funding from Solidarity Tobacco Levy or Tax on Repatriated Tobacco Profits

Both STL and TRTP can be further explored due to their potential to contribute to incremental funding for domestic and global tobacco control activities. In fact, a combination of both sources should be considered. Some countries may want to contribute by imposing a small levy (a small fraction of 1 cent to 2 cents) on each pack of cigarettes to raise US\$20 million to 1US\$ billion or by imposing a tax (.1% to 5%) on repatriated profits or dividends to raise the same amount. The STL is easier to estimate and thus adds to the predictability while estimating the TRTP with currently available data is a serious challenge.

It is important to note that even if a handful of countries participate, both the STL and TRTP can raise significant amounts that can advance tobacco control. Practical targets of 20 million, 50 million, 100 million, 600 million, 1 billion all have the potential to accelerate FCTC implementation which currently

operates at a limited budget both at the global and national particularly in developing countries. 20 million is larger than the FCTC Secretariat's budget for the biennium and 100 million per year is effectively twice the amount of the current development assistance for tobacco control.

Based on the survey respondents' views, incremental funds would likely be spent on financial assistance particularly for domestic implementation as well as on international efforts to promote multi-sectoral collaboration such as joint activities carried out with international organizations with expertise in critical sectors in tobacco control that are outside the health department (trade, illicit trade, economics).

Conclusions

Tobacco taxes may potentially provide a new revenue stream for development, and this has been the subject of study in various forums, such as environment, healthcare financing, and global health (including HIV/AIDS). Among the proposals to finance the health sector, there is no assurance that tobacco control will be a priority. Typically, priorities are decided at country level and tobacco control is left to compete with other public health concerns.

A small percentage of FCTC Parties have responded to this problem by earmarking tobacco taxes for national health promotion or related activities, which may include tobacco control. Even in these situations, difficulty in allocating funds for tobacco control (vis-à-vis alcohol control, road safety, healthcare finance, HIV AIDS/awareness) has been reported.

Furthermore, if funding for tobacco control is to be allocated, currently this would generally channel funding to six specific cost-effective measures for tobacco control endorsed by the WHO under the acronym - MPOWER. Global phenomena that requires planning activities at the international or regional level are: alternative livelihood promotion, curbing illicit trade, proliferation and normalization of tobacco industry corporate social responsibility (CSR), proliferation of tobacco industry litigation including trade and investment disputes, issues surrounding the role of tobacco control rules and structures in NCDs and post-2015 MDG, etc.

Guidance for developing policies relating to sustainable resources for FCTC implementation can go a long way. Innovative means to charge tobacco companies for the unusual burden it causes (e.g., fees for license, inspection, legal, other surcharge, insurance costs, etc.) both society and governments may have to be described for both advocates and governments to understand. Reflecting the polluter's pay principle in exacting accountability from the tobacco industry is a new concept for many countries and may need to be further elaborated on.

Opportunities to raise funds innovatively from tobacco sources already exist and would be a good starting point for discussion. Some mechanisms are more administratively feasible than others, but in all cases, political feasibility is a critical element. A deeper understanding of the political concerns would surface and can possibly be addressed only if the ideas are allowed to be debated on, and sufficient space to explore is provided in the appropriate forum. Many of the FCTC Parties have already participated in at least one form of innovative financing mechanism. The support and participation of a handful of parties and the openness of the rest is sufficient to successfully develop an innovative financing mechanism.

Recommendations

The paper makes the following recommendations

- Party reports should include information on funding estimated to be required for tobacco control activities as if there is a pool of funding available to be tapped. Similarly, the amount

of ODA support dedicated to tobacco control must also be monitored with a view to ensuring that the principle of additionality is observed.

- Parties must build capacity of focal persons on tobacco control to fully understand the issue of financing and to be able to think of means to promote sustainable financing for tobacco control not only for country level implementation but also to support global activities that are much needed to promote multisectoral collaboration.
- COP must consider proceeding with discussions specifically on innovative financing mechanisms through another working group or within the same Working Group on Sustainable Measures to Strengthen Implementation of the FCTC as long as the topic is given sufficient attention and time proportionate to the complexity and breadth of the issue
- Parties to the FCTC must work together to remove these barriers and to ensure sustainable funding for tobacco control in the face of historically low funding priority and tobacco industry interference.
- Convention Secretariat may map out global activities, illustrate the potential and actual impact of such global activities and, in coordination with the appropriate agencies, make an estimate of the amount that may be needed for these activities.
- FCTC parties should be encouraged to seek assistance from these multilateral agencies in undertaking tobacco control activities.

I. INTRODUCTION

The need for sustainable source of funding for implementation of the Framework Convention on Tobacco Control (FCTC) has increased immensely. For developing nations, there is a clear recognition that funds are direly needed not only to implement national tobacco control measures but also to address disparities and inequities in health promotion.

As far as treaty implementation is concerned, the Conference of Parties (COP) to the FCTC has been dealing with increasing challenges in resource mobilization in view of the international standards and instruments that are simultaneously being developed, the need to support states faced with tobacco industry's legal challenges, and the need to actively interface with other IGOs such as WTO, WCO, etc., in accordance with the multidisciplinary nature of tobacco control. Under Article 26 of the FCTC, financial mechanisms of assistance are projected to support developing nation's efforts in meeting treaty obligations. The said provision also recognized the possibility that the Conference of the Parties (COP) may "establish a voluntary global fund or other appropriate financial mechanisms to channel additional financial resources, as needed, to developing country Parties and Parties with economies in transition to assist them in meeting the objectives of the Convention.

However, a financial mechanism mandated under Article 26 is yet to be established. The Convention Secretariat has been promoting access to available resources and mechanisms of assistance and providing support in needs assessment, project development and submission of proposals for funding. In response to a decision of COP 4, the Convention Secretariat undertook a review of progress in the mobilization of resources and the performance of the mechanisms of assistance to support implementation of the WHO FCTC. A report and recommendations based on this review was submitted to the fifth session of the COP. Upon considering this report, the COP established a Working Group on Sustainable Measures to Strengthen Implementation of the FCTC. The issue of resource mobilization will also be examined by the Working Group.

At the country level, tobacco is taxed in all nations that are parties to the FCTC and, in practice, several countries have already earmarked tobacco taxes for their own health promotion activities. This has proven to be an effective means to provide sustainable funding source for tobacco control implementation at the national level. The potential for using tobacco taxes as a funding source for national tobacco control implementation will also be part of the discussion of the working group on Article 6 of the WHO FCTC. Article 6 encourages tax increases to reduce consumption of tobacco.

1.1 Gaps

Notably, through innovative financing mechanisms like the Global Fund against AIDS, TB and Malaria (the Global Fund) and UNITAID, the international community has started to participate in contributing to global public goods to fight infectious diseases. Recently, the international community has also devoted much attention to exploring innovative financial mechanisms for climate change. Experts who elaborated on alternative forms of innovative funding mechanisms for sustainable development have included *nationally applied and internationally coordinated* tax on financial transactions, arms trade, tobacco and alcohol among the options. Much can be learned about the administration and structure of such funds to address universal concerns relating to the transparency, accountability, and equity in the administration of funds.

At COP5, the Convention Secretariat submitted a review of progress in the mobilization of resources and the performance of the mechanisms of assistance to support implementation of the WHO FCTC. It urged Parties to provide resources and contribute to implementation assistance and to encourage

the Convention Secretariat to continue to play its coordinating role, in cooperation with the relevant departments and offices of WHO, in facilitating support by relevant stakeholders and development partners for implementation of the Convention. It also urged Parties to request stakeholders and development partners to take into account the “needs based” approach in the provision of such assistance.

In response, the COP 5 established a working group and mandated it, among others:

- to identify and recommend *best practices to access international resources for tobacco control* through bilateral and multilateral cooperation and other opportunities in development cooperation
- to provide recommendations on how to promote the WHO FCTC in wider international fora

II. RESEARCH OBJECTIVES

The purpose of the research is to develop a set of feasible options for sustainable financing mechanisms to support implementation of the FCTC in developing countries as well as to augment resources for treaty financing. In this regard, the research seeks to explore the following research questions:

Table 1: Summary of Research Objectives and Methodology

Research Objective	Methodology	Topic
1. a. To determine how much incremental funds are needed in developing countries to implement tobacco control by conducting a survey and reviewing FCTC budget and party reports	Review literature on developmental assistance for tobacco control, analyze the FCTC budget, compile FCTC party reports relating to budget	Funding Gap/ Potential Benefits of Incremental Funding
1. b. To determine the need for funding and challenges in mobilizing resources , as well as views about innovative funding mechanisms.	Conduct online survey supported by key informant interviews of the WHO TFI and the FCTC Secretariat, supplemented by key informant interviews of other international organizations	Challenges in Resource Mobilization
2. To define potential areas of international cooperation and to identify opportunities to promote integration and multi-sectoral coordination consistent with Art. 2 of the FCTC	Conduct key informant interviews with international organizations working on tobacco control and supplement the data with the views of tobacco control focal persons; review of literature on IOs, regional groupings and other mechanisms that can contribute to tobacco control and expanding fiscal policies for FCTC implementation	Role of International Cooperation and Multi-sectoral Coordination
3. a. To review global funding mechanisms and recommend best practices and ideal design elements in developing	Conduct key informant interviews with experts on financing from ministries of finance as well as relevant	Views on Financing Mechanisms, potential sources, and ideal

financing mechanisms for purposes of accessing resources for FCTC implementation	international organizations and supplement the data with views of tobacco control focal persons.	design (Characteristics, governance)
3. b. To determine the potential impact of making incremental funding available through proposed financing mechanisms	Review literature on the impact of implementing cost effective measures, project funds that could be raised using proposed models, and estimate the impact if additional funds were available	Potential Impact of Incremental Funding

Research Objective 1a: To determine how much incremental funds are needed in developing countries to implement tobacco control by conducting a survey and reviewing FCTC budget and party reports.

Research Questions for Tobacco Control Focal Points (Ministries of Health/MOH):

1. How much incremental funds are needed to fund development and implementation of tobacco control measures in developing countries? What is the potential impact of funding such measures?

Research Objective 1b: To determine the need for funding and barriers in mobilizing resources, as well as views about innovative funding mechanisms.

Research Questions for Tobacco Control Focal Points (Ministries of Health), WHO TFI and FCTC Secretariat

2. What is the potential impact of making incremental funding available?
3. What are the areas of treaty implementation where innovative funding should apply (eg protocol development, assistance to developing countries, regional assistance, global efforts, promoting NCDs etc.)?
4. How much incremental funds are needed to fund development and implementation of tobacco control measures in developing countries? What is the potential impact of funding such measures?
5. How can future Article 6 Guidelines, Decisions relating to Article 26, or UNGA Resolutions serve to encourage nations to explore innovative financing mechanisms for tobacco control?
6. Taking into account that the novel funding source may not provide a stable stream, how should these be prioritized, eg., how should funds be allocated and how much of collected funds should be allocated for each objective?

Research Objective 2: To define potential areas of international cooperation and to identify opportunities to promote integration and multi-sectoral collaboration consistent with Art. 2 of the FCTC

Research Questions for Ministries of Health and International Organizations that may contribute to international cooperation (IO Cooperation)

7. What are the areas of treaty implementation where innovative funding should apply (eg protocol development, assistance to developing countries, regional assistance, global efforts, promoting NCDs etc.)?
8. What is the potential impact of making incremental funding available?

9. How can financial assistance to other international organizations (WTO, WCO) support implementation of the FCTC. (eg funding for ACWL to provide legal support to developing countries on WTO cases relating to tobacco control measures, WCO's RILO program on illicit trade of tobacco)?
10. How can financial assistance to regional networks/ institutions support the implementation of the FCTC (eg., ASEAN's Smoke Free initiative)?
11. What are the existing mechanisms and structures in the region that can support implementation of such mechanisms?

Research Objective 3a: To review global funding mechanisms and recommend best practices and ideal design elements in developing innovative financing mechanisms

Research Questions for Ministries of Finance representatives and experts on Finance (MOF) and International Organizations that have expertise in innovative financing or global funds (IO Financing)

1. How can existing global fund administration structures, serve as a model for fund administration principles.
2. How should the current structures be improved?
3. What are the common barriers, ie constitutional/fundamental (eg. sovereignty, governance) and international economic laws (eg WTO, investment laws, tax treaties) to innovative financing mechanisms introduced in international fora?
4. What are the existing mechanisms and structures in the region that can support implementation of such mechanisms?
5. How can the existing global health partnerships support in the administration of such funds?
6. Details on governance of funds
 - a. How can transparency and accountability be ensured in the administration of such funds?
 - b. What institutional arrangements and reporting mechanisms are required for the administration of global funds?
 - c. How can the mechanism ensure equity in fund allocation and fund collection?
7. How can future Article 6 Guidelines, Decisions relating to Article 26, or UNGA Resolutions serve to encourage nations to explore innovative financing mechanisms for tobacco control?
8. What is the potential impact of financial mechanisms on ODA? Will it result in scaling down ODA?
9. What factors can contribute to a possible conflict of interest? How can this be avoided?
10. What are the pros and cons of market-based mechanisms?
11. What are the considerations for states with state-owned tobacco companies?
12. Special Considerations
 - a. What are the special considerations for large developing nations such as China, India and Brazil?
 - b. What are the special considerations for non-parties to the FCTC with corporate headquarters (US, Switzerland) and with interests in tobacco agriculture (eg Malawi, Indonesia)?

Research Objective 3b: To determine the potential impact of making incremental funding available through proposed financing mechanisms

Research Questions for Ministries of Health and International Organizations

1. Survey MOH/ KII IO/ Economic Projections) What is the potential impact of making incremental funding available?

III. METHODOLOGY

Aside from a thorough review of literature, the research team understood that key informant interviews and focus group discussions among experts from various disciplines such as economics, finance, health policy, governance, foreign affairs, political science, and law will be necessary to elicit accurate details relating to the literature as well as to generate a more robust discussion paper.

Particularly, surveys and key informant interviews were used to enrich this study. Survey instruments and questionnaires were developed and administered accordingly. Some economic projections were also undertaken.

- Questions pertaining to details on funding needed, priorities, anticipated impact (national, global, regional level), feedback on financing concepts and constitutional limitations, were addressed to country representatives (Ministries of Health in coordination with Finance Ministers coursed through the mission representatives and references from survey respondents and interviewees)
- Questions relating to how funding can be used to strengthen support of other international organizations were targeted to secretariats and experts from multilateral organizations such as WTO, WCO, FAO, UNCTAD, WIPO, UNESCO, UNICEF, UNICEF, UN Women, UNDP, Interpol, multilateral and regional development banks such as the World Bank and Asian Development Bank, regional organizations such as ASEAN and their pertinent programs / committees/ departments.
- Questions relating to global fund management, administration/ collection and governance were targeted to be asked of experts in World Bank, UNITAID, Global Fund, ADB, the Global Environment Facility), ODA, Article 6 Working Group Members, the Bill and Melinda Gates Foundation, Bloomberg Philanthropies, etc.

Estimates and projections were made based on existing literature and data as well as consultations/ Key informant interviews international organizations and civil society organizations (CSO) active on tobacco control. Particularly, questions of the following topics were asked:

- Proposed types in mechanisms, classification, limitations and stream of funding
- Possible funding allocations and budgets
- Global fund administration and governance
- Projected Impact on ODA

Method of estimating costs of implementation of the treaty was based on published costs and projections using such costs. Published costs were derived from a review of the budget and estimates of the FCTC Secretariat which forms part of COP documents. The research team also tried to gather further data relating to costs incurred by WHO TFI in assisting countries implement FCTC. With respect to national level implementation of the FCTC, current estimates can be derived from national budgets or Party's reports on the FCTC. Supplementing this would be costs incurred by CSOs most of which are currently funded by Bloomberg Philanthropies and Gates Foundation projects on tobacco control.

A brief analysis of the feasibility of options from the point of view of developed countries/ donor countries were explored. Such analyses and comparisons would be useful in determining the feasibility of options for the global financing mechanisms.

III.1 Data Gathering and Limitations

Four sets of data were collected:

- a. Tobacco Control Focal Points (Ministries of Health/ MOH)
- b. Ministries of Finance representatives and experts on Finance (MOF)
- c. International Organizations that may contribute to international cooperation (IO Cooperation)
- d. International Organizations that have expertise in innovative financing or global funds (IO Financing)

After initial consultations with stakeholders (primarily with the FCTC Secretariat, the WHO TFI, and CSO representatives familiar with the issue) and a comprehensive review of literature, the team documented a list of questions that need to be asked and identified target respondents for the key informant interviews and surveys. Criteria for choosing the respondents and corresponding responses to requests for data are as follows:

III.1.1 Tobacco Control Focal Points (Ministries of Health/ MOH)

A survey that gauges the Tobacco Control Focal Points' assessment of the country's needs as well as his perception about innovative financing and the need for funding at the global level was prepared. A researcher sent out an email invitation for an online survey to the identified focal points¹ and gave them 30 days to fill up the survey.² The survey period was extended to 90 days to accommodate requests for extension by participants. The survey was also translated and made available in French and Spanish. The survey contained the following confidentiality clause

"The information provided by you in this questionnaire will be used only for research purposes. It will not be used in a manner which would allow identification of your individual responses without your permission. All information obtained in this study will be kept strictly confidential and anonymous. Access to the research dataset will be exclusively limited within the research team, though the data will be used in our research findings, presentations and publications."

The target respondents for tobacco control focal points are based on countries that are active during the previous COP discussions in general and in particular on financing as well as members of the Working Group on Sustainable Measures to Strengthen Implementation of the FCTC (Working Group). The sample is chosen based on the likelihood of contributing to the discussion. Membership in the Working Group represents interest and openness to discuss the issue of sustainable resources. (see Annex B: Target List of Respondents: Countries)

With inputs from the FCTC Secretariat, the Framework Convention Alliance (FCA) and other civil society groups, and country missions, the research team identified the initial list of focal points. Notably, the set of such target respondents is not representative of all the FCTC parties and there is no geographic representation nor representation by income class. Nevertheless, the target respondents could represent the most influential voices in the COP discussions on the issue of financing. However, the number of actual respondents is not sufficient to make this representation.

Apart from the target list, the list was also expanded to include South Centre member countries in order to gauge their interest in engaging on this issue. Out of the 32 South Centre member countries invited to participate in the survey, 10 responded positively to filling up the survey. 2 South Centre member countries which did not respond to the survey however responded positively to request for key informant interview.

¹ Respondents were reminded about the survey over phone. Also, the survey was sent to tobacco control focal points through contacts in civil society organizations.

² The survey is attached in Annex A.

Out of 37 requests to fill up the online survey, only 18 responded positively and only 13 completed the survey. The online survey platform allowed tracking the progress of respondents, and follow up communications were undertaken with the respondents. Some of the respondents conveyed their readiness to complete the survey but could not respond within the extended timeline. Some respondents indicated the need for prior authorization before they can respond to the survey.

The following table provides a geographic and income distribution of countries that responded and completed the survey.

Table 2: Survey Respondents

<i>Country</i>	<i>Region</i>	<i>Income Distribution</i>	<i>Completion Status</i>	<i>W=WG member S=SC member</i>
Bhutan	SEARO	Lower-middle income	Complete	
Bolivia	AMRO	Lower-middle income	Complete	W; S
Cameroon	AFRO	Lower-middle income	Incomplete	W
Costa Rica	AMRO	Middle income	Incomplete	
Congo	AFRO	Low income	Complete	W
Gabon	AFRO	Low income	Complete	S
The Gambia	AFRO	Low income	Incomplete	
Georgia	EURO	Lower-middle income	Complete	W
Iran	EMRO	Middle income	Complete	S
Mauritania	AFRO	Lower-middle income	Complete	
Namibia	AFRO	Middle income	Incomplete	S
Panama	AMRO	Middle income	Incomplete	S
Philippines	WPRO	Lower-middle income	Complete	W; S
Suriname	AMRO	Middle income	Complete	S
Tanzania	AFRO	Low income	Complete	W; S
Thailand	SEARO	Middle income	Complete	W
Turkey	EURO	Middle income	Complete	W
Tuvalu	WPRO	Middle income	Complete	

The survey responses were further supplemented by key informant interview data from ministry of health and tobacco control focal persons in 2 countries (which were not participants to the survey). The KIIs were conducted on the basis of the following confidentiality rules:

“The information provided by you in this Key Informant Interview will be used only for research purposes. It will not be used in a manner which would allow identification of your individual responses without your permission. All information obtained in this study will be kept strictly confidential and anonymous. Access to the research dataset will be exclusively limited within the research team, though the data will be used in our research findings, presentations and publications.

Everything you tell us will be confidential. To protect your privacy, we won't connect your name with anything that you say.

At any time during our conversation, please feel free to convey if you have any questions or if you would rather not answer any specific question. You can also stop the interview at any time for any reason.

Please remember that we want to know what you think and feel and that there are no right or wrong answers.

If you permit, we would like to audio record the interview to supplement note-taking.”

To provide a counterpoint to the views of the low and middle income country participants, the research team also interviewed donor countries although these countries did not respond positively to the request on filling up the survey.³ The top two tobacco control philanthropists were also approached but only one responded positively.

It bears stressing that the survey responses do not constitute a sufficient representative sample of the most influential voices in COP discussions or the Working Group membership (21 members), nevertheless, the survey results reveals the views of 8 focal persons in low and middle income countries that participated in the WG. None of the respondents to the survey are from high income or donor countries.

III.1.2 Ministries of Finance representatives and experts on Finance (FIN)

A list of ministry of finance and experts on innovative financing from international organizations was prepared by the research team based on the participation of government representatives in discussions on finance in other fora such as the Leading Group on Innovative Financing for Development and the UNFCCC. Government delegates in the FCTC Article 6 Working Group were also approached. During interviews, key informants were also requested to suggest experts in ministries of finance who could be approached to learn about their experience of financing mechanisms.

The KIIs were conducted according to the following confidentiality rules:

“The information provided by you in this Key Informant Interview will be used only for research purposes. It will not be used in a manner which would allow identification of your individual responses without your permission. All information obtained in this study will be kept strictly confidential and anonymous. Access to the research dataset will be exclusively limited within the research team, though the data will be used in our research findings, presentations and publications.

Everything you tell us will be confidential. To protect your privacy, we won't connect your name with anything that you say.

At any time during our conversation, please feel free to convey if you have any questions or if you would rather not answer any specific question. You can also stop the interview at any time for any reason.

Please remember that we want to know what you think and feel and that there are no right or wrong answers.

If you permit, we would like to audio record the interview to supplement note-taking.”

III.1.2.a Ministries of Finance

A major limitation of the research has been the lack of KII data from ministry of finance experts. Experts from ministries of finance or development cooperation from both recipient and donor countries were approached by a researcher with a background document⁴ explaining the scope and objectives of the research and the relevance of interviews with ministries of finance.

A list of 13 potential respondents were targeted (9 from MOF and 4 from funding organizations)., However, most of the interview requests did not yield a positive response. Out of 13 interview requests

³ Donor countries have not responded to the survey request but were agreeable to discussions off-the-record. One donor country specifically agreed to a KII on condition of absolute anonymity as to the identity of the country.

⁴ See Annex C for the background document for KII requests.

only 3 responded positively. The 3 respondents that agreed to the KII demonstrated expertise on innovative financing mechanisms and grant administration for tobacco control. Other target interviewees declined to be interviewed due to lack of expertise relating to tobacco control related financing, lack of authority or inability to identify the appropriate expert within the ministry or agency.⁵

III.1.2.b Organizations that have expertise in innovative financing or global funds (including CSOs)

An initial list of IOs and other entities with expertise in financing was prepared based on a google search of relevant terms. Organizations with publications on the pertinent topic were selected. Key informants or representatives of these organizations were identified based on a snowball approach. The research team identified organizations and individuals that team members have worked with on the issue of financing and then asked the contacts for referrals.

A request for interview was sent to key informants by phone or by email. The interview focused on the challenges and opportunities in innovative financing including political dynamics in developing a new mechanism.

Out of 15 requests for interview, 12 responded positively. Accordingly KIIs were held with these agencies including one regional development bank, one multilateral development bank, one UN programme, an organization working exclusively on innovative financing for development, former representative of an international taskforce on innovative financing for health, a UN specialized agency with expertise on health systems financing, an international health funding agency, a multilateral environmental financing organization, a private philanthropic organization which supports tobacco control interventions, and a private funds grant administrating agency . However, a philanthropic organization which is the largest contributor to tobacco control development assistance globally declined to be interviewed without giving any specific reasons.

III.1.3 International Organizations that may contribute to international cooperation (IO Cooperation)

The research team prepared a list of International Organizations to be interviewed in respect of international cooperation. The list included some organizations cooperating under the UN Inter-Agency Task Force on Tobacco Control.

A researcher sent interview requests to 21 International Organizations out of which 10 agreed to be interviewed. Experts to be interviewed in each organization were identified based on the tobacco-

⁵ One agreed on condition of absolute anonymity regarding the identity of the country. One finance ministry official active in the FCTC Article 6 Working Group declined to be interviewed without directions from the relevant nodal ministry. Another significant challenge was the identification of the right expert within a ministry. Interview requests were sent to multiple officials in different departments within the same ministry to overcome the lack of knowledge about the right expert. The interview requests were followed up by phone and, sometimes, the researcher was directed to the appropriate official. However, interview requests and subsequent follow-ups with referred experts also elicited no response. Sometimes, interview requests were relayed across multiple departments, but no appropriate experts were available for the interview. For instance, in a KII, the mission in Geneva had suggested that on questions of financing, the development cooperation ministry should be approached. The interview request to the development cooperation ministry was relayed to many departments, and then the researcher was reverted to the health ministry. Some experts declined to be interviewed owing to their inexperience on tobacco issues. One (1) country declined to be interviewed citing denial of authorization.

control related research produced by these organizations and contacts suggested by the FCTC Secretariat.⁶

A request for interview was made either by phone or by email and key informant interviews were conducted. The key informant discussion guide⁷ contains questions pertaining to current activities and missed opportunities in international cooperation to advance FCTC implementation.

The KIIs were conducted on the basis of the following confidentiality rules:

“The information provided by you in this Key Informant Interview will be used only for research purposes. It will not be used in a manner which would allow identification of your individual responses without your permission. All information obtained in this study will be kept strictly confidential and anonymous. Access to the research dataset will be exclusively limited within the research team, though the data will be used in our research findings, presentations and publications. Everything you tell us will be confidential. To protect your privacy, we won't connect your name with anything that you say.

At any time during our conversation, please feel free to convey if you have any questions or if you would rather not answer any specific question. You can also stop the interview at any time for any reason.

Please remember that we want to know what you think and feel and that there are no right or wrong answers.

If you permit, we would like to audio record the interview to supplement note-taking.”

The table below provides an overview of the International Organizations targeted for key informant interviews and their response.

Table 3: Data Set Summary

Type of Respondents	Target	Actual Size	Data Gathered through	Comments
MOH	42	22	Survey, some interviews	Does not constitute a representative sample of FCTC Parties, but responses confirm trends from review of literature
MOF	13	3	Key Informant Interviews	Lack of adequate responses. Identifying the right expert was a major challenge
IO Financing (including CSOs and donor organizations))	16	12	Key Informant Interviews	Some donor organizations declined to be interviewed without any specific reason. ⁷ donors were included
IO Cooperation	18	10	Key Informant Interviews	Some organizations in the UN inter-agency task force on tobacco control declined to be interviewed due to lack of

⁶ In the case of seven (7) where experts could not be specifically identified, enquiries were made with the organizations to seek assistance in identifying the appropriate expert. In these cases, all such queries were responded with a suggestion to direct the interview request to the general enquiry by email, but none of these requests received any response in spite of follow-ups.

⁷ See KII Discussion Guide in Annex E.

				work on tobacco control or without any specific reason.
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III.2 Data Storage

The data which consists of survey forms and KII transcripts and recording are kept in a common dropbox folder shared by the team. After processing the data, it will be kept in a central folder that is password protected accessible only to the South Centre administrator.

III.3 Data Processing

There are two types of data that were processed:

- a. Survey
- b. Key Informant Interviews

III.3.1 Survey

The Survey Questionnaire is attached as Annex A. The research team was guided by the following general rules in interpreting the survey data:

- Questions (Q) 3 to 6 and partly Q27 form part of the profile of the respondent. In some cases, this determines if the respondent has a role in making recommendations relating to tobacco control implementation. The survey responses may be disqualified if the answers to these questions reveal that the respondent does not acquire or have access to pertinent information.
- Q7-9 informs the research team of the respondent's extent of knowledge with respect to tobacco control budget since the information may be verified through party reports. At the same time, it also fills gaps in case party reports do not supply the information. *OPTION: Respondents will be given an opportunity to clarify Inconsistencies between answers in the party report and the answers to this question.*
- Q10-11 related to the current adequacy and proportionality of funds for tobacco control
- Q 12 establishes the general perception of a focal person on the need for additional funding for tobacco control
- Q13 gives an indication of the specific area of tobacco control implementation that the tobacco focal point may prioritize. Specific comments or additional items added by the respondent may suggest that the item is just as important as or even more important than the choices listed. It must be noted that the answers to these may be biased based on the respondent's background. Hence, results may additionally be categorized according to the respondent's background or the type of country. (e.g., tobacco growing, tax haven, port/ porous borders). See also comments on Q 25
- Q14 indicates the respondent's ability to quantify the amount that will be needed for certain key aspects tobacco control.
- Q15-16 indicates the respondent's view of the areas of international cooperation in the FCTC that would best support domestic implementation.
- Q17-18 indicates the respondent's view of the importance of specific forms of potential areas of international cooperation that have been done/ discussed in the past but are currently not in the budget or unfunded. This is with exception sub-items 12-13 which are potential areas of

collaboration in relation to innovative financing; areas that have not been explored in the past. The provision of choices (general examples of possible collaboration) may have created bias in favor of giving a positive answer. Moreover, the listing is not exhaustive and those that are not listed should not be interpreted as unimportant.

- Q19-21 refers to the respondent's view of features that may be important for innovative financing mechanisms for tobacco control. Some features are considered important while others are not. It is just as important to note those that are not considered important. Neutral is interpreted to mean that the respondent is ambivalent with respect to this feature.
- Q22-23 indicates the respondent's view of where additional funds can be used: for domestic or global use depending on whether it is from own funds or from other country's funds. An additional point highlighted is the focal points view of the importance of contributing to NCDs funding vis a vis tobacco control
- Q24 indicates the respondent's view of how important it is to narrowly or broadly describe the use of a global fund and whether this need to be done at an early stage or at a later stage
- Q25 provide specific examples of the potential use of additional funding at the global level. The answers here is a means to verify the answers to the previous question. Typically, this should be consistent. If defining a narrow area is preferred, then one of these narrow goals will be ticked as important. In addition, this is also an indication of the respondent's view of areas of tobacco control that are considered important and needs to be cross checked for consistency with answers to Q 13 and generally, Q 15-18
- Q26 reflects the respondent's general views on the reliability of the IO, intergovernmental organization (IGO) or an independent body. Examples of institutions like Global Fund, WHO, and COP, were provided for clarity. This may have created biases in the responses that depend on the respondent's impression of the institutions cited. The answers may also be ranked based on preference when some are considered reliable while others are very reliable.
- Q27 seeks additional comments and the answers are compiled in a list then categorized. The comments are also used to further interpret the respondents' answers to other questions.
- Q28 as well as Q1 refers to the identity of the respondent and his contact details. These are classified and are kept in a separate directory.
- Q29 as well as Q2 refers to consent of the respondent to contribute to the research. The data gatherer verified that all the evidence of consent is available and has been properly stored.

III.3.2 Key Informant Interviews

The interviewer organized qualitative data into major categories. These categories are generally the interview questions that were asked. The result is a document with all the interviewees' discussions organized under each question. Then categories are developed based on the discussion, then notes are pasted into the corresponding categories.

The categorized data was mapped against published information and available literature, and then variances were highlighted. The research team analyzed the variances. Stakeholder inputs were sought to fill gaps in the analysis of variances.

IV. Discussion of Results

IV.1 Topics

The results are divided into the following topics to answer the clusters of research questions discussed previously:

Part 1: Country Implementation: Funding Gap, Potential Benefits of Incremental Funding, Challenges in Resource Mobilization

Part 2: Global Activities: Funding Gap, Potential Benefits of Incremental Funding, Challenges in Resource Mobilization

Part 3: Role of International Cooperation and Multi-sectoral Coordination

Part 4: Views on Financing Mechanisms, potential sources, and ideal design (Characteristics, governance)

Part 5: Potential Impact of Incremental Funding

Part 1: Country Implementation: Funding Gap, Potential Benefits of Incremental Funding, Challenges in Resource Mobilization

A. Country Implementation: Various Estimates

In 2006, Chaloupka et al. estimated that developing countries would need between **US\$6 billion and US\$18 billion** to implement cost effective interventions in tobacco control, price increases, and nicotine replacement therapy (NRT).⁸

Table 4: Estimated cost of cost-effective tobacco control interventions in developing countries

	Cost of Price Increase ⁹	Cost of NRT	Total
2006 Estimate Low Range	\$1.256B	\$4.911B	\$6.167B
2006 Estimate High Range	\$3.138B	\$15.686B	\$18.824B

In a 2011 publication on Scaling up Action against non-communicable diseases (NCDs), WHO identified four population based demand reduction measures as “best buys” or cost-effective investments with the highest impact in reducing tobacco consumption: enforcing smoke free policies, raising tobacco taxes, mandating package warnings, imposing advertising bans.¹⁰ Including overall programme management and media support, the average annual cost of these interventions in all middle and low income countries is projected at an average of **US\$0.11 per capita** (low of \$.05 for low-income countries and high of \$.15 in upper middle income countries) or a gross estimate of **US\$620,120,015** for the 5.6 billion population concerned; this amount includes expense for human resources, training, meetings, mass media, supplies and equipment, and other programme costs.¹¹ The projected amount is not expected to decline or increase since a constant investment is needed to develop the policies and maintain a comprehensive level of enforcement.¹² It bears stressing that “impact costs” such as support in relation to alternative livelihoods for tobacco growers and workers as well as legal costs to counter tobacco industry interference and lawsuits are not included in these estimates.

In 2011, WHO reported, based on less than 51 countries with available data from 2007 and 2010, that low income governments spend \$.001 per capita on tobacco control while middle income government spend \$.013 per capita on the same. The report states that 97% of the US\$1 billion spent on tobacco

⁸ Jha, P.; Chaloupka, F.; Moore, J.; Gajalakshmi, V.; Gupta, P. Peck, R.; Asma, S. & Zatonski, W. (2006). Tobacco Addiction in *Disease Control Priorities in Developing Countries*. The International Bank for Reconstruction and Development/The World Bank. Retrieved from <http://www.ncbi.nlm.nih.gov/books/NBK11741/pdf/ch46.pdf> (last visited last 31 October 2012). p. 880.

⁹ *Id.* at 880. – In general, price increases are found to be the most cost-effective anti-smoking intervention. A 33 percent price increase (our base case scenario) could be achieved for a cost of US\$13 to US\$195 per DALY saved globally, or US\$3 to US\$42 in low-income countries and US\$85 to US\$1,773 in high-income countries. Wider access to NRT could be achieved for between US\$75 and US\$1,250 per DALY saved, depending on which assumptions are used. Non-price interventions other than NRT could be implemented for between US\$233 and US\$2,916 per DALY saved. Thus, NRT and other non-price measures are slightly less cost-effective than price increases but remain cost-effective in many settings.

¹⁰ WHO (2011). *Scaling up Action Against Noncommunicable Diseases: How much will it Cost?* Retrieved last October 15 2013 from whqlibdoc.who.int/publications/2011/9789241502313_eng.pdf (last visited 5 October 2013). p. 17.

¹¹ *Id.* at 17.

¹² *Id.* at 18.

control by these countries are from high-income countries.¹³ Rough estimates based on these figures show that no more than US\$65 million is spent by low to middle income countries on tobacco control.

Table 5: Estimated cost of tobacco control by WHO

	Based on	Total (in millions of US\$)
2006: Estimate of amount needed	Price Increase and NRT	6,167 - 18,824
2011: Estimate of amount needed	4 cost-effective interventions	620
2011: Estimate of amount actually spent on tobacco control	Overall tobacco control by developing countries	< 65
	Overall tobacco control by all countries	1,000
Estimate for Country Level: Developing Countries	Expenditure as a percentage of needs for 4 interventions	1-10%
ALL Countries	Expenditure as a percentage of Needs	5-17%
2010-11: Actual Budget of the FCTC		12.988
Development Assistance	All forms	240

B. Challenges in Estimating Needs

Overall, actual data relating to the amount needed for tobacco control remain insufficient. In 2007, COP-2 determined that needs assessment was necessary to further determine the financing required for the parties to implement the treaty.¹⁴ The Secretariat subsequently conducted needs assessment in up to 30 developing countries but only one party has allowed such report to be publicized.¹⁵

Policy briefs of civil society relating to needs assessment show that there are more questions than answers.¹⁶ It is not clear how the needs assessment has contributed to increase in resources for treaty implementation. The FCTC Secretariat reports that when parties seek specific assistance to mobilize resources, it offers technical assistance including assistance in preparing proposals.¹⁷ This is possibly one means of reducing to numbers the cost of treaty implementation. The Working Group of Mechanisms of Assistance is currently tasked to review the needs assessment process as a mechanism of assistance.

¹³ WHO (2011). *WHO Report on the Global Tobacco Epidemic, 2011: Warning about the Dangers of Tobacco*. Geneva: WHO. Retrieved from whqlibdoc.who.int/publications/2011/9789240687813_eng.pdf (last visited 27 November 2013).

¹⁴ WHO FCTC (2006). *Conference of the Parties to the WHO FCTC: First Session*. Review of existing and potential sources and mechanisms of assistance: Note by the Secretariat. Provisional agenda item 4.5. A/FCTC/COP/1/4. Published on 9 January 2006. Retrieved from http://apps.who.int/gb/fctc/PDF/cop1/FCTC_COP1_4-en.pdf (last visited 31 October 2012).

¹⁵ Ghana Ministry of Health & Health Service. *Needs Assessment for Implementation of the WHO Framework Convention on Tobacco Control in Ghana*. Retrieved from <http://www.ghanahealthservice.org/includes/upload/publications/Needs%20Assesment%20for%20Tobacco%20Control%20In%20Ghana.pdf> (last visited 04 November 2012).

¹⁶ Framework Convention Alliance (2012). *Policy Briefing: FCTC Mechanisms of Assistance and Financial Resources*. Retrieved from http://www.fctc.org/images/stories/Mechanisms_assistance_brief_Final_EN.pdf (last visited 20 October 2013).

¹⁷ Exchange made during a meeting with NGOs in May 2013.

C. Challenges in Resource Mobilization

Insufficiency of resources is one of the most frequently reported constraints mentioned by FCTC parties, along with tobacco industry interference and weak intersectoral coordination.¹⁸ The reasons vary. Some claim it is a matter of political will, while others point to competing public health priorities and other more pressing issues.

1. Perception of MOH: Inadequate/insignificant funding, lack of familiarity with the budget/ failure to identify specific needs

The survey asked ministries of health/MOH (national tobacco control focal persons) about the adequacy and proportionality of funds for tobacco control. 73 per cent of the respondents (11) have the perception that tobacco control funding is not enough, even though some of these respondents admitted that they are not familiar with the budget.¹⁹ Accordingly, as to the availability of funding for tobacco control activities, 8 respondents indicated that all the tobacco control activities over the past year were not funded, while 3 respondents indicated that all the tobacco control activities proposed were funded.

Respondents were also asked whether tobacco control constituted a significant portion (at least 10 per cent) of the national budget for prevention and control of non-communicable diseases. Only 2 respondents indicated that tobacco control constituted a significant portion of the budget.²⁰ This is consistent with the general observation that tobacco control is one of the most underfunded areas of public health despite the prevalence of tobacco-related death and diseases.

2. Major Hurdles: bureaucracy and politics in government, poor mechanisms of assistance, constraints in dedicating taxes

In KIIs, tobacco control focal person from developing countries explained the challenges of accessing government funds. Bureaucracy and politics result in delayed disbursements, and strict budgetary lines, make it difficult to keep pace with tobacco industry interference. In contrast finance from philanthropic organizations such as the Bloomberg initiative is much more flexible.

The Working Group on Sustainable Measures to Strengthen Implementation of the FCTC focused on the need for assistance and resource mobilization primarily by reviewing existing mechanisms of assistance. There is general optimism that progress can be made in improving mechanisms of assistance for developing countries by evaluating and streamlining the current practices.

Nevertheless, some parties (3 countries) suggested the need to explore innovative financing mechanism for tobacco control with special reference to Article 6 guidelines on considering dedicated tobacco taxes for tobacco control. The KIIs had provided insight on the MoF's resistance to earmarking tobacco taxes, based either on a legal constraint²¹ or constraints based on basic financial management principles.

¹⁸ WHO FCTC (2012). Global Progress Report on the Implementation of the WHO Framework Convention on Tobacco Control. Retrieved from http://www.who.int/fctc/reporting/2012_global_progress_report_en.pdf (last visited 03 October 2013). p. 64.

¹⁹ Based on the profile, six (6) out of fifteen (15) respondents were not familiar with the budget.

²⁰ While five (5) respondents indicated that tobacco control did not constitute a significant portion of the budget. Four (4) respondents could not make such an assessment.

²¹ For example, it was pointed out in a KII that earmarking taxes is not allowed under Brazil's Constitution. Thus, while Brazil participates in innovative financing mechanisms, such as the air ticket levy, the

3. Donors' Views: Importance of Identifying Needs

KILs with 2 donor parties suggested that areas of tobacco control activities which can benefit from international cooperation and for which activities additional financial mechanism may be required depends on the priorities of countries, how much those activities will cost, and the resource gap. Donors view needs assessment as an important exercise for this.

4. Potential Challenge: Identifying Priorities and budget required

Survey shows that areas considered to be either very important or important are as follows:²² law enforcement (very important 14, important 1), awareness campaigns (very important 12, important 3), capacity building (very important 11, important 4), regulatory initiatives (very important 10, important 4), , research (very important 7, important 7), legal assistance (very important 7, important 6), outreach to other government agencies (very important 7, important 6), building alliances with stakeholders such as civil society organizations and academe (very important 5, important 8) alternative livelihood (very important 2, important 9)²³ Practically all respondents consider law enforcement, awareness campaigns and regulatory initiatives as “very important.” In contrast, more respondents view alternative livelihood as important than “very important.”²⁴

Respondents were also asked to indicate if additional funding is not required for activities that were rated by them to be “very important” or “important.” The majority of respondents indicated the need for additional funding for implementing the activities considered by them to be “very important” or “important”. 13 respondents also indicated that additional funding will be generally helpful for implementation of tobacco control in the country.

Survey respondents were further asked to indicate the funding estimated to be required annually for implementing these areas of tobacco control. 10 respondents answered this question. No respondent could provide an estimate for all the indicated areas of tobacco control, although some estimates were provided.²⁵

revenues raised through this tax are not earmarked for funding UNITAID. Rather, the revenues go into the country's national budget from which specific budgetary allocations are made to the UNITAID. Moreover, in Australia, one of the first tobacco taxes that was hypothecated was deemed unconstitutional on legal grounds. Australia had to then allocate a proportion of general government revenues rather than hypothecate it. Therefore, how to overcome constitutional limitations to earmarking or hypothecating revenue for specific purposes will be an important issue to address.

²² Survey respondents were asked how important it will be for specific areas of country-level implementation of the FCTC to be better served. Respondents were asked to rate these areas as “very important,” “important,” “neutral,” or “not important.” Respondents were also asked to indicate if they considered that additional funding was not required for these areas if they considered this to be “important” or “very important”. Respondents were referred to nine (9) specific areas—law enforcement, awareness campaigns, regulatory initiatives, alternative livelihood, research, capacity-building, legal assistance, building alliances with stakeholders such as CSOs, and outreach to other government agencies. Respondents were also asked to indicate any other activity which they considered to be “very important” or “important.”

²³ Three (3) respondents regarded the following other activities to be “very important,” respectively: tobacco cessation, creating smoke-free settings, and community involvement.

²⁴ While two (2) respondents regarded alternative livelihood as “very important,” five (5) respondents regarded alternative livelihood as “important.” Two (2) respondents were “neutral” about the importance of alternative livelihood, while one (1) respondent regarded alternative livelihood to be “not important.”

²⁵ Rough estimates were given. Most estimates were provided for awareness campaigns, research and capacity-building (5 responses), followed by estimates for regulatory initiatives and building alliances

There is consensus that multisectoral collaboration is very important in tobacco control and that international cooperation is very important²⁶ in contributing to multisectoral collaboration, however, respondents specifically indicated that innovative financing that may be generated should be used exclusively for domestic tobacco control purposes as opposed to contributing to a global activity such those that may contribute directly to international cooperation.

D. Summary and Conclusions

Based on the survey and KII responses, it can be concluded that for all of the areas of tobacco-control that are considered to be important by countries, incremental and additional funding could significantly assist in the implementation of those activities.

What is clear from the review of literature and the survey is that data needed to determine the amount of resources needed is lacking, however, developing nations are able to identify priority tobacco control activities when funding opportunities are available and when coupled with technical assistance as evidenced by the applications to the Bloomberg calls for proposals.

FCTC parties through the party reports and through the respondents of the survey consistently highlight the vital importance of incremental funding and financial assistance. However, the failure to identify the specific amounts needed is a severe flaw.

Neither in the party reports nor in the surveys/key informant interviews has the status of the database on available resources been adjudged as either useful or insufficient. It is not clear how such a tool has contributed to increasing access to resources or how much potential it has in increasing resources when various public health interests are competing in most of the funding sources. There are only a handful of specific funding sources that has been made exclusive for tobacco control, a significant portion of which is from the philanthropist organizations, Bloomberg Initiative or Gates Foundation.

The WHO TFI and the FCTC Secretariat actively promotes the visibility of the FCTC in the discussions on NCD and observers commented that the reorganization of the WHO TFI in a manner to make tobacco control part of the NCD basket was purposely made to attract more funding for tobacco control. Nevertheless, there is also no estimate of how much incremental funding for domestic implementation can be expected by highlighting FCTC in the NCDs.

The FCTC Secretariat has been tasked to oversee resource mobilization as part of mechanisms of assistance for developing nations. However, the resource mobilization strategies are limited to some identified tools (database, network) instead of a funding strategy which involves organizational management and stakeholder relationships enabled by a communication strategy.²⁷

Despite the lack of data and capacity to estimate the specific needs of developing countries, there is evidence to show that incremental funding can be beneficial for tobacco control implementation. One

with other stakeholders (4 responses), and law enforcement and legal assistance (3 responses). Only two (2) respondents could provide estimates for alternative livelihood. Two (2) of the three (3) respondents who had identified other areas of importance for tobacco control could provide estimates for funding that would be required.

²⁶ Seven (7) of eleven (11) respondents deemed it “very important” to contribute to NCDs, and all regarded international cooperation as important factor in multisectoral collaboration.

²⁷ IDRC & Venture for Fund Raising (2010). *Resource Mobilization: A Practical Guide for Research and Community-Based Organizations* (2nd edition). Retrieved from http://www.idrc.ca/EN/Programs/Donor_Partnerships/Documents/Donor-Partnership-guide.pdf (last visited 09 October 2013).

example would be how the availability of grant funds (e.g., Bloomberg Initiative) has accelerated tobacco control program implementation. For example, the Bloomberg Foundation reports that since the Bloomberg Initiative began in 2007, 21 countries have passed 100% smoke-free laws, the percentage of people protected from second-hand smoke has increased 400%, and almost four billion people worldwide are now protected by at least one of the six proven tobacco control policies.²⁸ Because it is the resource-strapped countries that are most adversely affected by the tobacco epidemic, the availability of grant funds and other forms of development assistance makes a significant difference in capacitating countries to meet some of their obligations under the treaty.

²⁸ Bloomberg, M. *Reducing Tobacco Use*. Retrieved from <http://www.mikebloomberg.com/index.cfm?objectid=B30497B1-C29C-7CA2-F9F7AABDE96F87E7> (last visited 31 October 2012).

Part 2: Global Activities: Funding Gap, Potential Benefits of Incremental Funding, Challenges in Resource Mobilization

Global Activities: Various Estimates

1. Voluntary Assessed Contributions

Treaty operations are funded primarily through the voluntary assessed contributions (VACs) from Parties (69% as of 2010-11) and contributions from donor parties (18% as of 2010-11). This includes the conduct of COP sessions; preparation of protocol, guidelines and other implementation instruments; reporting arrangements under the Convention;²⁹ provision of technical assistance to Parties in the implementation of the Convention; facilitating the exchange of information and best practices;³⁰ coordination with international organizations and bodies; mobilization of financial resources; and, management and administration of the WHO FCTC Secretariat as indicated in Article 23.5.³¹ Conference servicing and the meeting of the Intergovernmental Negotiating Body (INBs) and COPs are some of the most costly items among the activity costs.

In the past 2 bienniums, the budget of the FCTC Secretariat has increased by approximately 14-17% while voluntary assessed contributions (VAC) increased only by 4%. Based on its recent interim performance report, the Convention Secretariat proposed a workplan budget of **US\$17.47 million for the next biennium (2013-2014) while VACs could remain at US\$9.107.**³²

²⁹ WHO FCTC (2005). *WHO Framework Convention on Tobacco Control* (3rd reprint). Geneva: WHO. Retrieved from <http://whqlibdoc.who.int/publications/2003/9241591013.pdf> (last visited 10 October 2013). Art. 20.5 – Parties should cooperate in regional and international intergovernmental organizations and financial and development institutions of which they are members, to promote and encourage provision of technical and financial resources to the Secretariat to assist developing country Parties and Parties with economies in transition to meet their commitments on research, surveillance and exchange of information. (In addition, Parties should provide the Secretariat with sufficient financial resources to facilitate intergovernmental activities involving research surveillance and exchange of information.)

³⁰ The Conference of the Parties shall promote and facilitate transfer of technical, scientific, and legal expertise and technology with the financial support secured in accordance with Article 26.

³¹ WHO FCTC (2005), *supra*, note 35, Art. 23. 5 – The Conference of the Parties shall keep under regular review the implementation of the Convention and take the decisions necessary to promote its effective implementation and may adopt protocols, annexes and amendments to the Convention, in accordance with Articles 28, 29 and 33. Towards this end, it shall:

- (a) Promote and facilitate the exchange of information pursuant to Articles 20 and 21;
- (b) Promote and guide the development and periodic refinement of comparable methodologies for research and the collection of data, in addition to those provided for in Article 20, relevant to the implementation of the Convention;
- (c) Promote, as appropriate, the development, implementation and evaluation of strategies, plans, and programmes, as well as policies, legislation and other measures;
- (d) Consider reports submitted by the Parties in accordance with Article 21 and adopt regular reports on the implementation of the Convention;
- (e) Promote and facilitate the mobilization of financial resources for the implementation of the Convention in accordance with Article 26;
- (f) Establish such subsidiary bodies as are necessary to achieve the objective of the Convention; and,
- (g) Consider other action, as appropriate, for the achievement of the objective of the Convention in the light of experience gained in its implementation.

³² WHO FCTC (2012). Interim performance report for the 2012–2013 workplan and budget: Report of the Convention Secretariat. FCTC/COP/5/20. 8 August 2012. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_20-en.pdf (last visited 22 December 2013).

The table below reflects the trend in the FCTC Secretariat's budget. Budget items from the original budget report are reclassified and re-categorized in order to make them comparable across time. This adjustment is necessary because budget formats have changed from one COP to another to accommodate among others, party requests and new items, and to encourage transparency.

Table 6: Budgets of FCTC Secretariat

Figures in millions of US dollars

Items	COP1	2006-7	COP2	2008-9	COP3	2010-11	2012-13	2013-14
	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>COP4</i>	<i>Proposed</i>
I. COP Sessions Art 24.3a	1.858	2.073	1.800	1.613	2.4	2.195	1.56	1.8
II. Reporting System inc Convention Secretariat Art 24.3 b, c, and d	2.800	0.783	1.865	0.059	1.43	.099	.455	.3
III. Coordination with relevant bodies and administrative arrangements Art 24.3e & f	1.04	.408	.98 (.4 for needs assessment)	.153	1.8	.036 ³³	.451	.38
Assistance to Parties					2.6	.360	2.610	
IV. Elaboration of Guidelines and Protocols and other activities (Art 24.3g)	1.385	1.216	3.365 (includes INBs)	3.054 ³⁴	4.6 (includes INBs)	2.085	1.96	1.7
V. Management and administration (promote awareness of treaty)						.222	.22	
Total	8.010	5.063	12.96	11.051	12.840	12.988	14.902	17.47
Salary/Staff Costs		1.46 (28%)		4.613		6.128	5.942	8.026
Activity		3.01 (59%)		5.555		4.999		7.435
Program support costs 13%	.921	.58		.882		1.860	1.714	2.009
Voluntary Assessed Contributions (VAC)	8.216	7.477	8.682	9.17	8.757	8.945	9.107	
Extrabudgetary Contributions		.200		.737		2.329		
Other sources/income		.0625		.263		.570		
Beginning Balance				2.259		1.149		
Available Funds		7.739		12.199		12.994		
VAC as a Percent of Actual Budget		146%		83%		69%	61%	
Increase in Expenditure						17.5%	14.7%	17.2%
Increase in VACs						4%		

³³ Assistance to Parties in implementation is included in this figure: 359,515.

³⁴ Technical assistance to Parties included in this figure: 189,108.

2. Extrabudgetary Sources

Due to the Treaty's expanding needs, the VAC on its own may not be able to sustain treaty operations in the future; reliance on voluntary extrabudgetary contribution is expected. In fact, in the Secretariat's latest performance report, the EU in 2011 provided 5.2 Million euros in extrabudgetary funds for a programme that includes needs assessment and related implementation support for 30 low and middle income Parties as well as support for capacity building, international cooperation and information sharing. In addition, Australia contributed AUD900,000 to support activities of the Article 6 working group which was not covered by the VAC, to provide needs assessments and assistance to Pacific Island Parties and other developing country Parties, and to enhance the reporting system and exchange of expertise.

After the adoption of the Draft Protocol on Elimination of Illicit Trade of Tobacco, the Conference Secretariat would be expected to support the said protocol's initial activities. This is expected to place a further strain on the budget and increase the amount of extrabudgetary resources required.

The table below shows some of the sources, uses, and amounts of extrabudgetary contributions to the FCTC Secretariat made in recent years:

Table 7: Extrabudgetary Contributions to FCTC Secretariat

Country/ Source	Amount	Purpose	Year
Australia	US\$ 908,109	"needs assessments in Pacific island countries and least developed Commonwealth countries; implementation by developing countries of some key areas of the Convention; the work of the working group on Article 6; and reporting arrangements under the Convention" ³⁵	2011
Australia	US\$ 300,000	"assistance to Parties in the WHO Western Pacific Region" ³⁶	
Australia	US\$ 100,000	treaty workshops for the WHO South-East Asia and the Western Pacific Regions ³⁷	
Australia	US\$ 205,480	"to strengthen staff capacity in the Secretariat" ³⁸	
Australia	US\$ 100,000	"to cover additional costs for hosting the third session of the Conference of the Parties (US\$ 464,540)" ³⁹	2008

³⁵ WHO FCTC (2012). Financial resources and mechanisms of assistance: Report of the Convention Secretariat. FCTC/COP/5/15. 30 September 2012. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_15-en.pdf (last visited 07 October 2013). p. 4.

³⁶ *Id.* at 4.

³⁷ WHO FCTC (2010). Interim performance report for the 2010–2011 workplan and budget: Report of the Convention Secretariat. FCTC/COP/4/20. 15 August 2010. Retrieved from http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_20-en.pdf (last visited 22 December 2013).

³⁸ WHO FCTC (2012), *supra*, note 41.

³⁹ WHO FCTC (2010). Performance report for the 2008–2009 workplan and budget: Report of the Convention Secretariat. FCTC/COP/4/19. 15 September 2010. Retrieved from http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_19-en.pdf (last visited 22 December 2013).

Country/ Source	Amount	Purpose	Year
Canada	US\$ 66,595	"to organize a workshop on international trade and tobacco control issues for health and trade representatives of Parties in March 2012" ⁴⁰	
Canada	US\$ 26,880	"to support activities on trade-related aspects of implementation of the Convention" ⁴¹	2012
Germany	US\$ 166,250	"to support activities of the Secretariat through secondments" ⁴²	2010-11
Netherlands	US\$ 937,436	"to support activities of the Secretariat through secondments" ⁴³	2009-12
Netherlands	US\$ 173,228	"to cover additional costs for hosting the third session of the Conference of the Parties (US\$ 464,540)" ⁴⁴	2008
Netherlands	US\$ 262,357	"to cover additional costs for hosting the fourth session of the Conference of the Parties (US\$ 747,000)" ⁴⁵	2008
Netherlands	US\$ 324,461	"for staff costs" ⁴⁶	2012
Republic of Korea	US\$ 806,245	"to cover additional costs for hosting the fifth session of the COP (US\$ 806,245)" ⁴⁷	2012
European Union	US\$ 4,163,205	"to support implementation of the Convention, in particular in developing countries"	2012
US CDC	US\$ 28,250	"to support reporting arrangements under the Convention" ⁴⁸	
TOTAL			

3. Opportunity Costs

Estimate of opportunity costs are not available. Such costs include foregone value of a desired tobacco control activity that would have been undertaken if sufficient funds were available. The desired tobacco control activity can be determined by the activities that Committee A and B of the COPs identified through consensus.

Typically, budget gaps lead to trade-offs where core treaty activities such as organizing the COP and subsidiary bodies are given priority. To illustrate, COP-3 has come to this point in trading off priorities in order to address the projected budget gap in 2008-9.⁴⁹ Trade offs are also made among and within

⁴⁰ WHO FCTC (2012), *supra*, note 41.

⁴¹ WHO FCTC (2012), *supra*, note 38.

⁴² WHO FCTC (2012), *supra*, note 41.

⁴³ *Id.* at 5.

⁴⁴ WHO FCTC (2010), *supra*, note 45.

⁴⁵ WHO FCTC (2010). Interim performance report for the 2010–2011 workplan and budget: Report of the Convention Secretariat (addendum). FCTC/COP/4/20 Add.1. 3 November 2010. Retrieved from http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_20Add1-en.pdf (last visited 22 December 2013).

⁴⁶ WHO FCTC (2012), *supra*, note 38.

⁴⁷ *Id.* at 9.

⁴⁸ WHO FCTC (2012), *supra*, note 41.

⁴⁹ FCTC/COP3 (21) Recommendation by Committee B

core treaty activities and this is reflected in downward adjustments for core treaty activities.

To illustrate, for the said 2008-9 period, a total of \$7.45 Million was allocated for the 3 INBs and the intersessional meeting. Of this amount, only 1.675M (1.5M from EU and .175 from Aus) were sourced from extrabudgetary contributions; the bulk was financed through VACs. Subsequently, at COP4, savings from various budget items for the 2012-13 were accumulated to provide funding for the intersessional session of the INB in accordance with the rules of procedure⁵⁰ The following were bartered away in the course of cost-cutting:

- a. Not budgeting for 2 new working groups (Article 6 was identified, another potential article is Article 19)
- b. Not budgeting for an expert group on cross-border advertising
- c. Reduction in travel support (by harmonizing travel policies);
- d. Removal of evening sessions at the COP5;

Ultimately, VACs were used to contribute to items previously funded exclusively through extra-budgetary contributions;⁵¹

Since core activities (potential working group on Article 6 and expert group on cross border advertising) were foregone in favor of work related to the Illicit Trade Protocol, some parties cautioned that:⁵²

- a. The draft protocol on illicit trade should not be accorded priority over core activities under the Convention, such as assistance to low-income Parties and technical cooperation;
- b. Decisions of Committee A should be taken into account. (The approach taken at COP4 was to modify the decision of Committee A in line with the budget.)
- c. Innovative financing sources should be recognized, such as international taxes and global funds.

The Conference of the Parties DECIDED to approve the recommendation by Committee B that, should the projected budget gap for the period 2008–2009 of about US\$ 1 035 000 occur as projected, the Convention Secretariat should give priority to the organizing of the work of the Conference of the Parties and its subsidiary bodies.

(Fourth plenary meeting, 22 November 2008)

⁵⁰ WHO (2006). WHO FCTC Rules of Procedure of the Conference of the Parties. Geneva: WHO. Retrieved from http://whqlibdoc.who.int/publications/2006/9789241594554_eng.pdf (last visited 22 December 2013).

Rule 12:

1. The Secretariat shall report to the Conference of the Parties on the administrative, financial and budgetary implications of all substantive agenda items submitted to the session, before they are considered by the Conference.
2. Unless the Conference of the Parties decides otherwise, no such substantive agenda item shall be considered until at least forty-eight hours after the Conference of the Parties has received a report from the Secretariat on its administrative, financial and budgetary implications.

Rule 13:

Any item on the agenda of a regular session, that has not been considered or completed at the session, shall automatically be included in the provisional agenda of the next regular session, unless otherwise decided by the Conference of the Parties.

⁵¹ WHO FCTC (2010). *Conference of the Parties to the WHO Framework Convention on Tobacco Control: Fourth Session. Report of Committee A (Draft)*. Punta del Este, Uruguay, 15–20 November 2010. (Draft) FCTC/COP/4/28. Published on 20 November 2010. Retrieved from http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_28draft-en.pdf (last visited 31 October 2012).

⁵² WHO FCTC (2009). *Conference of the Parties to the WHO Framework Convention on Tobacco Control: Third Session*. Durban, South Africa, 17–22 November 2008. FCTC/COP/3/DIV/3. Published on 16 February 2009. Retrieved from http://apps.who.int/gb/fctc/PDF/cop3/FCTC_COP3_DIV3-en.pdf (last visited 31 October 2012).

D. Cost of Tobacco Industry Interference

Another cost that has yet to be determined is the cost of addressing potential tobacco industry interference or preventing it a global scale. The tobacco industry has taken advantage of the funding gaps in international cooperation to implement the FCTC by directly funding tobacco-control related activities such as Interpol's enforcement activities⁵³ (i.e., 15 Million Euros from Philip Morris) or indirectly supporting programs such as ILO's anti-child labor campaign through IPEC.⁵⁴ Such a situation potentially creates conflict of interest situations and could lead to potential violations of Art 5.3 for participating or beneficiary countries.⁵⁵

E. Costs incurred by WHO TFI

Sufficient information is not available to present estimates for WHO TFI. The WHO TFI is a department under the noncommunicable disease and mental health (NMH) cluster in the WHO. The budget allocations reflected in the approved program and budget of the WHO contains allocations by clusters, but do not reflect allocations to specific departments within a cluster. Therefore, while the budgetary

⁵³ "Launched in June 2012, the INTERPOL Trafficking in Illicit Goods and Counterfeiting Programme works to identify, disrupt and dismantle transnational organized networks behind the trafficking of illicit goods... Philip Morris International has pledged EUR 15 million over a three-year period to help develop the programme... The following countries and territories had previously taken part in the INTERPOL-led operations: Black Poseidon II (*Belarus, Moldova, Poland, Romania, Turkey, Ukraine*); Etosha (*Namibia*); Hurricane (*China, Hong Kong, Fiji, India, Indonesia, Philippines, Thailand, Vietnam*); Pacific (*Brazil, Chile, Columbia, Ecuador, Panama, Peru*)." – Sources: Interpol (2013). Organized crime networks smashed in series of INTERPOL-led operations targeting illicit trade. Retrieved from <http://www.interpol.int/en/News-and-media/News-media-releases/2013/PR085> (last visited 17 October 2013); Framework Convention Alliance (2013). Industry-INTERPOL deal signals challenges to illicit trade protocol. Retrieved from <http://www.fctc.org/index.php/news-blog-list-view-of-all-214/illicit-trade/976-industry-interpol-deal-signals-challenges-to-illicit-trade-protocol> (last visited 14 October 2013).

⁵⁴ "ILO-IPEC works in partnership with and receives financial support from global tobacco companies through the Elimination of Child Labor in Tobacco Growing Foundation (ECLT), a tobacco industry funded group. . . Beginning in 2002, ECLT financially supported ILO-IPEC projects to reduce tobacco-related child labor in countries such as the Dominican Republic, Indonesia, and Tanzania. . . ECLT on its website states that the International Labor Organization plays an advisory role to ECLT. On ILO-IPEC website, ECLT is listed as a donor to ILO-IPEC in 2002-3 and 2006-7." – Source: Otañez, Marty (2008). Social disruption caused by tobacco growing. Study conducted for the 2nd meeting of the Study Group on Economically Sustainable Alternatives to Tobacco Growing - WHO Framework Convention on Tobacco Control. Mexico City, Mexico, 17-19 June 2008. Retrieved from <http://www.laborrights.org/sites/default/files/publications-and-resources/social-disruption-caused-by-tobacco-growing.pdf> (last visited 15 October 2013).

⁵⁵ A similar situation involving global funds that are coursed to an NGO that has Philip Morris as a member has lead advocates to question Philippine's commitment to Art 5.3. Global recognition of tobacco industry contributions such as in the Global Compact may have aggravated the situation and promote as norm the receiving of funds from tobacco industry which is contrary to the principles espoused when concerns were raised about Interpol's acceptance of PM money at COP5. – Sources: Framework Convention Alliance (2012). Interpol application for observer status raises questions. *FCA Bulletin*. Issue 117. Retrieved from http://www.fctc.org/index.php/component/docman/doc_view/518-bulletin-issue-117?Itemid= (last visited 16 October 2013); Corporate Accountability International (2008). Protecting against Tobacco Industry Interference: The 2008 Global Tobacco Treaty Action Guide. Retrieved from <http://www.stopcorporateabuse.org/sites/default/files/resources/global-tobacco-treaty-action-guide-2008.pdf> (last visited 14 October 2013).

allocations for NMH cluster are available, this does not reflect the allocations to TFI within that cluster, though tobacco control is a significant component of the program under NMH.⁵⁶

B. Challenges in Resource Mobilization

1. Limited Budget: Reliance on VACs

The scope of core activities that can be done is naturally limited by the availability of budget. One of the key informant interviews pointed out that while the WHO TFI has a very good infrastructure, the Convention Secretariat is severely underfunded. It has no regional or country office, and hence the FCTC Secretariat has to rely on the WHO mechanism for implementation of the FCTC. While some philanthropic organizations have made significant funding for tobacco control work to the WHO and has increased its budget, the budget of the FCTC Secretariat has not increased significantly. While the FCTC Secretariat is funded by VACs, 30 Parties have not paid, and the budget continues to be limited.

This has in recent years been augmented through extrabudgetary contributions. In some cases, the extra-budgetary funds contributed are earmarked for specific use, such as for assistance to specific countries or for the INBs as desired by the donor, instead of being contributed in accordance with the priority areas or activities identified by the parties during COP sessions. For instance, funding for INB on the protocol to eliminate illicit trade was available but the budget for a working group on other substantive articles was not. The lack of predictability and stability in the flow of funds tends to slow down treaty activities. In some cases, the imbalance in the allocation of funding results in a situation where donors' choices of specific treaty or international activities to fund become those which gain priority status.

As discussed above, during COP3, the Convention Secretariat noted that certain Treaty activities and secretariat functions would be subject to the availability of extrabudgetary resources: intercountry exchanges of information and technical assistance; broader international cooperation; South-South cooperation; assistance to be provided to Parties in meeting their reporting obligations; greater engagement with the work of the United Nations Ad Hoc Interagency Task Force on Tobacco Control; and, decisions adopted by the COP with regard to resources, assistance, and international cooperation.⁵⁷

At COP4, the additional working group on Article 6 and the expert group on cross-border advertising proposed by Committee A was not guaranteed a budget due to the restrictive budgetary climate and competing demands. While both activities appear in the workplan, the COP decided to place a footnote to indicate that the activities will be undertaken subject to the availability of extrabudgetary resources.

Not only does limited funding lead to cuts on budget for current activities, it also limits the potential to expand the work that can be done to promote treaty compliance. During COP3, India proposed the establishment of a standing compliance body for the FCTC. The budgetary implication of such a proposal is estimated at a maximum of US\$1.415 Million. Due to budget constraints at the time, there could be no opportunity to meaningfully consider and discuss the proposal.

⁵⁶ It should also be noted that the TFI department has been sunset after an internal restructuring whereby a new department on Prevention of Noncommunicable Diseases (PND) has been established in the NMH cluster with dedicated units on tobacco control. See World Health Organization Information Note 01/2013. Realignment within the Noncommunicable Diseases and Mental Health (NMH) Cluster. 10 January 2013.

⁵⁷ WHO FCTC (2009), *supra*, note 58.

The lack of predictability and stability in the flow of funds tends to slow down treaty activities. In the Convention Secretariat's Performance Report for COP5, the Secretariat noted that four tasks were partially accomplished due to the need to raise substantial extrabudgetary resources; most affected are key treaty activities mandated by COP3: needs assessments, regional workshops, agreements with international organizations, and South-to-South cooperation, all of which involved support or some form of assistance for developing countries.

2. COP Decisions: From Global Fund to WG review of Mechanisms of Assistance

The COP has long recognized the importance of funding and financial assistance for treaty implementation. This continued from a robust debate during the FCTC negotiations.⁵⁸ However, COPs' response to the dire lack of funding has been slow.

Based on the General Obligations under Art. 5.6, to "within means and resources at their disposal, cooperate to raise financial resources for the effective implementation of the Convention through bilateral and multilateral funding mechanisms,"⁵⁹ COP 1 and 2 decided that existing financial resources must first be tapped.⁶⁰ Accordingly, the Secretariat has listed available sources of funding to facilitate the implementation of their obligations under the Convention.⁶¹ To date, there is no information regarding the effectiveness or specific quantifiable amounts resulting from this exercise and the Working Group has been identified as a forum to review this.⁶²

COP1 reviewed the existing and potential sources and mechanisms of assistance including a proposal for a global fund. Although many Parties supported the establishment of a global fund, several Parties pushed for assessing the needs and exploring existing sources of development assistance. COP 1 then decided that a needs assessment was necessary to further determine the financing required to implement the treaty.⁶³

However, based on more recent COP decisions⁶⁴, the strategy for financing treaty operations is to ask the Secretariat to seek extrabudgetary contributions from all sources and urging Parties to provide them. On the other hand, the strategy for providing financial support for developing countries is to maximize the potential of existing funding sources through needs assessment and development of project proposals. This also includes calling on developed parties to include support to FCTC implementation as an eligible area of bilateral assistance programmes if this can be eligible for official development assistance.⁶⁵

Specifically, from the first to the fourth session of the COP or beginning 2006, the COP has employed the following strategy to mobilize financial resources for developing countries:

⁵⁸ See WHO FCTC (2007). Conference of the Parties to the WHO FCTC. Second Session. Financial Resources and Mechanisms of Assistance. Decisions FCTC/COP/2(10). Retrieved from http://apps.who.int/gb/fctc/PDF/cop2/FCTC_COP2_DIV9-en.pdf (last visited 3 November 2012).

⁵⁹ WHO FCTC (2005), *supra*, note 35, Art. 5.6.

⁶⁰ WHO FCTC (2007), *supra*, note 64.

⁶¹ *Id.*

⁶² Framework Convention Alliance (2013). *Working Group on Sustainable Implementation of the WHO FCTC: Going from Obstacles to Solutions.*

⁶³ WHO FCTC (2006), *supra*, note 20.

⁶⁴ See, for example, COP2 Decision on Financial Resources and Mechanisms of Assistance, *supra*, note 64.

⁶⁵ WHO FCTC (2010). Conference of the Parties to the WHO FCTC. Second Session. Financial Resources and Mechanisms of Assistance. Decisions FCTC/COP/4(17). Retrieved from http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_DIV6-en (last visited 03 November 2012).

- a. called on developed country Parties, to provide support to developing parties through bilateral, regional, international or nongovernmental channels;⁶⁶
- b. urge “developed countries, international financial institutions, international organizations and other development partners to channel resources, based on specific requests,
- c. call on developed Parties to include support to the implementation of the WHO FCTC as an eligible area of bilateral assistance programmes provided this assistance can be eligible for official development assistance (ODA);⁶⁷
- d. Involve international development partners to bring the FCTC implementation within the UN Development Assistance Framework at the country level and strengthen collaboration⁶⁸
- e. Linking needs assessment activities to accessing existing donor and development resources

COP5’s action in establishing a Working Group that will assess the abovementioned mechanisms of assistance in order to make a recommendation to COP6 is considered a milestone by tobacco control advocates.⁶⁹ The mandate of the Working Group is sufficiently broad and can include expanding the funding strategy to include innovative ideas. In its first meeting in October 2013, the Working Group discussed mobilizing resources and recommended establishing a sustainable funding mechanism in line with Article 26 and the guidelines on Article 6 of the FCTC, to support tobacco control through resource mobilization at the country level. It was also agreed that a questionnaire will be developed under the guidance of the key facilitators and circulated to Parties to provide their inputs based on their respective experience in barriers and successes in resource mobilization.

3. Donor’s priorities for Global Activities: Results-Orientation and Extra-budgetary Contributions for global activities

It was observed by a donor country in a key informant interview that donors would not be attracted to fund activities such as needs assessments etc., which the FCTC Secretariat facilitates, although this has been viewed by many as an essential tool in mechanisms of assistance. This is because donors want priority needs to have been identified and result oriented interventions defined. Donors want to have most value for money, and result-oriented interventions, and raise the political profile of tobacco control. Therefore, donors would prefer to focus on identified needs and provide technical assistance to address those needs, rather than the process of assessing needs.

It was observed in a KII by another donor country that in terms of mechanisms of financial assistance, providing funds through extra-budgetary contributions is more feasible since many governments are not in favour of earmarking taxes.

4. Role of Needs Assessment in Financial Assistance

WG discussions and discussions with the FCTC Secretariat revealed that there is scope for more needs assessments to be done. The WG also expressed that it is critical to review how the needs assessments are conducted, whether the process responds to the kind of issues that will enable countries to identify

⁶⁶ COP called on developed country Parties, in accordance with their obligations under the Convention, to provide technical and financial support to developing country Parties and Parties with economies in transition for this purpose, through bilateral, regional, international, or nongovernmental channels.

⁶⁷ WHO FCTC (2010), *supra*, note 71.

⁶⁸ *Supra* note 45, p.7.

⁶⁹ Framework Convention Alliance (2012). *Approve the Working Group on Sustainable Implementation*. FCA Bulletin. Issue 122. 17 November 2012. p.1.

their tobacco control needs and priorities as well as the cost for implementing such activities. The recent meeting of the Working Group recommended that the Convention Secretariat should undertake a qualitative analysis of the needs assessments⁷⁰.

It bears stressing that needs assessment is a process intended primarily to address the concerns of developing nations which claim that they require financial assistance to implement the FCTC. The COP2 had decided this as a means to address the clamor for a voluntary global fund⁷¹ during the last round of negotiations for the FCTC up to COP1.⁷² The idea of a global fund was opposed due to the resistance to vertical funds, instead, the recommended alternative was the needs assessment coupled with voluntary support from donors to provide additional financing when needed and requested. However, according to observers from CSOs, results of or successes from needs assessment activities have not been clear.

c. Summary and Conclusions

From the foregoing discussion, despite the action and strategies taken by the COPs so far in recognizing the funding gap, the problem remains evident and there is no stable and predictable source of funds to meet the growing needs of treaty implementation at all levels (national, international and impact costs).

Due to the limited funding for core activities and activities in the preceding years, parties are constrained generally to repeating the same activities (with the exception of the INBs) instead of investing in evaluating existing activities or exploring new ways to generate country level resources or undertaking new international activities (such as joint activities with other multilateral agencies discussed below).

In view of the perceived need for activities at the global level that are currently unfunded, there is a need to ensure that the FCTC Secretariat has sufficient financial resources for such activities. However, as the discussion above points out, the limited budget and limited extrabudgetary support available to the FCTC Secretariat is a major constraint in this respect.

Budgets of various treaties such as UN Framework Convention on Climate Change, Convention on Biological Diversity, UN Convention to Combat Desertification, and Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, have doubled and even tripled in a span of 10 years. The current budget of these treaties range from approximately \$20 to 50 Million. This excludes trust funds that are administered under the treaty for supplementary activities, participation, or technical cooperation.

⁷⁰ At COP 1, FCTC Parties had agreed that resource mobilization required detailed needs assessment at the Party level, and called upon developing countries and countries with economies in transition to conduct needs assessments and to communicate their prioritized needs to development partners. The Convention Secretariat was requested to assist Parties in this regard. COP 2 had asked the Convention Secretariat to actively seek extrabudgetary contributions for assisting Parties in need in carrying out needs assessments and developing projects or proposals for financial assistance from all existing funding sources.

⁷¹ WHO FCTC (2007), *supra*, note 64.

⁷² It was observed by a donor Party in an interview that the creation of a tobacco fund was very widely discussed during the negotiations of the FCTC, but that it was opposed by a number of countries in view of the experience of the Global Fund and the role of vertical funds vis-à-vis integration of health systems in national budgets. Hence, it was decided not to establish such a fund, and instead do a mapping exercise and voluntary support from donors to provide additional financing, as and when needed, based on request by interested Parties.

As more financial resources are available in these treaties, more treaty activities could be undertaken. In the UNFCCC 2012-2013 budget for instance, the core budget of 48.5 million is devoted to programmes and secretariat operations. The Trust Fund for Supplementary Activities funds the implementation of specific programmes and provisions, conduct of workshops and other forms of capacity building in developing countries, and support for committees of the conventions and protocol. The Trust Fund for Participation in the UNFCCC Process provides, among others, support for one delegate from each eligible Party plus a second delegate from each least developed country and each small island developing State to participate in organized sessions.⁷³

⁷³ See WHO FCTC (2012). Programme budget for the biennium 2012-13. Draft Decision /CP.17.

PART 3: ROLE OF INTERNATIONAL COOPERATION AND MULTISECTORAL COORDINATION

This section of the research seeks to define potential areas of international cooperation and to identify opportunities to promote integration and multi-sectoral collaboration consistent with Art. 2 of the FCTC.

There are potential areas of global tobacco-related activities that can be initiated in other multilateral agencies and which will have cross-border impact, such as a multi-country project by the World Bank on tobacco taxes or by the World Customs Organization on curbing smuggling which invariably includes cigarette smuggling. Such activities tend to engage other sectors (such as finance ministries or customs officials) in pursuing country level tobacco control objectives.

Multilateral agencies, in coordination with WHO or the FCTC Secretariat or in accordance with an international treaty/resolution or project, typically extend some form of developmental assistance, below are some examples.

Table 8: Activities Supportive of Tobacco Control by Multilateral Agencies

Multilateral Agency	Assistance to	Activity / Year
World Bank	Philippines & Gambia	Provided technical assistance on tobacco taxation resulting in tobacco tax reforms in both countries ⁷⁴ (2012-2013)
World Bank	Russia, Belarus, and Kazakhstan	Launched the technical dialogue and a study." ⁷⁵ (2013)
World Bank	Bosnia & Herzegovina	Provided technical assistance in drafting its federal tobacco control strategy 2003–2008 through its Basic Health Package II project." ⁷⁶
UNDP	Nepal, FCTC Parties	Participated in a needs assessment in Nepal, ⁷⁷ and support for FCTC Parties "to develop multisectoral, national tobacco control strategies, establish national coordinating mechanisms, and reduce tobacco industry interference in setting and implementing public health policies with respect to tobacco control" ⁷⁸
FAO	Malawi (non-party)	Provided both technical and financial assistance in diversifying crop systems in Malawi to enable

⁷⁴ World Bank (2013). The World Bank and Tobacco Control: The Facts. Retrieved from <http://www.worldbank.org/en/topic/health/brief/world-bank-and-tobacco-control-the-facts> (last visited 03 October 2013).

⁷⁵ *Id.*

⁷⁶ WHO FCTC (2012), *supra*, note 24, p. 58.

⁷⁷ Tarlton, Dudley (2013). On World No Tobacco Day, don't use as directed. Retrieved from <http://www.undp.org/content/undp/en/home/ourperspective/ourperspectivearticles/2013/05/31/on-world-no-tobacco-day-don-t-use-as-directed-dudley-tarlton.html> (last visited 15 October 2013).

⁷⁸ Clark, Helen (2013). Speech at the 2013 Lambie-Dew Oration on "The World We Want: Health & Human Development in the 21st Century." Retrieved from <http://www.undp.org/content/undp/en/home/presscenter/speeches/2013/10/15/helen-clark-speech-at-the-2013-lambie-dew-oration-on-the-world-we-want-health-human-development-in-the-21st-century-.html> (last visited 15 October 2013).

Multilateral Agency	Assistance to	Activity / Year
		it to lessen its dependence on tobacco and to effectively respond to soaring food prices ⁷⁹
ILO	Dominican Republic, Indonesia, Tanzania	ILO's International Programme on the Elimination of Child Labour (IPEC) undertakes projects to reduce tobacco-related child labor ⁸⁰ <i>Note: Elimination of Child Labor in Tobacco Growing Foundation (ECLT), a tobacco industry funded and governed entity, is listed as a donor to ILO-IPEC in 2002-3 and 2006-7</i>
WCO (RILO)	Australia, Brunei Darussalam, China, Hong Kong, China, Indonesia, Iran, Japan, Korea, Macau, China, Malaysia, New Zealand, Pakistan, Papua New Guinea, the Philippines, Singapore, Sri Lanka, Thailand and Vietnam	Traces "suspicious cigarette shipments through a mechanism of export and arrival notifications" and conducts various operations to combat smuggling and trade in illicit cigarettes ⁸¹
Interpol	China, Chile, Columbia, Brazil, Belarus, Ecuador, Fiji, Hong Kong, India, Indonesia, Moldova, Namibia, Panama, Peru, Philippines, Poland, Romania, Thailand, Turkey, Ukraine, Vietnam	Conducts operations across the Americas, Africa, Asia and Europe to address industrial-scale illicit trade and counterfeiting in collaboration with local authorities ⁸² The INTERPOL Trafficking in Illicit Goods and Counterfeiting Programme works to identify, disrupt and dismantle transnational organized networks behind the trafficking of illicit goods ⁸³ <i>Note: In 2012, Philip Morris International has pledged EUR 15 million over a three-year period to help develop the programme</i>

Box 1: Case Study: Success in Collaboration

⁷⁹ FAO. FAO Initiative on Soaring Food Prices. Retrieved from <http://www.fao.org/isfp/country-information/malawi/en/> (last visited 18 October 2013).

⁸⁰ ILO & IPEC (2007). Combating Hazardous Child Labour in Tobacco Farming in Urambo (UTSP) Urambo District, TANZANIA. Retrieved from http://www.ilo.org/wcmsp5/groups/public/---ed_mas/---eval/documents/publication/wcms_130537.pdf (last visited 15 October 2013).

⁸¹ World Customs Organization (2013). Illicit Trade Report 2012. Retrieved from http://www.cites.org/fb/2013/wco_illicit_trade_report_2012.pdf (last visited 17 October 2013).

⁸² Interpol (2013), *supra*, note 59.

⁸³ "Interpol's programs focused on operations, capacity-building and training, raising awareness, legal assistance, and I-Checkit (programme that combines key information from private industry and law enforcement to allow targeted users to verify whether a product has been traded illicitly)" – Source: Interpol. Trafficking in illicit goods and counterfeiting. Retrieved from <http://www.interpol.int/Crime-areas/Trafficking-in-illicit-goods-and-counterfeiting/Trafficking-in-illicit-goods-and-counterfeiting> (last visited 17 October 2013).

Case Study: UNDP

UNDP is actively involved in supporting FCTC implementation and is working closely with the FCTC Secretariat. The UNDP provides assistance to countries in implementing Articles 5.1, 5.2 and 5.3 of the FCTC to ensure that national legislation is supportive for tobacco control, making sure that governance structure involves a multisectoral tobacco control committee in each country, and to make the tobacco control policy free from tobacco industry interference. The UNDP also tries to promote prioritizing FCTC implementation within the UN Development Assistance Framework (UNDAF). The UNDP also seeks to address tobacco control as a major development issue that relates to the Millennium Development Goals (MDG) for poverty eradication, gender, child and maternal health, and environment. For example, the UNDP has published a case study brief on the linkages between tobacco use and poverty in Myanmar and Bangladesh.

KII indicated that external funding will be important to support such activities to augment the internal budget of UNDP. It may be difficult to forecast the funding needs for the next four years since it is not the traditional role of UNDP to work on tobacco control. Incremental funding can assist in getting some traction for activities in the country level and for coordination. Otherwise, the scale of UNDP's involvement could be limited to research and advisory work. It was observed that in the future issues such as tobacco control, which are outside the mainstream, may be tougher to fund than other issues.

Survey: Importance of Multisectoral Collaboration

1. Priorities in International Cooperation: technical and financial assistance, global fund, and exchange of information.

Survey respondents were asked to indicate their views on areas of treaty implementation that would best support domestic implementation. 91 per cent of the survey respondents (10 out of 11) agreed that multisectoral collaboration at the international level will support domestic implementation of the Treaty.

Technical assistance as an output of international cooperation was regarded as “very important” by 11 out of 14 respondents while 9 out of 13 respondents identified financial assistance as “very important”. Between 7-8 of 14 view as “very important” the establishment of a global fund, exchange of information in specific issues⁸⁴, alternative livelihood and cooperation for financial assistance. A complete list and the response is in Annex A⁸⁵

Notably, while only 2 respondents regarded alternative livelihood as “very important” at the country

⁸⁴ Exchanging information on specific issues, like graphic health warning (GHW), was considered more important than exchanging information on broad issues.

⁸⁵ See Annex A, question 14. Eleven (11) out of fourteen (14) respondents viewed technical assistance as an output of international cooperation to be “most important.” Nine (9) respondents regarded financial assistance to developing countries to be “very important.” Seven to eight (7-8) of the fourteen (14) respondents viewed the establishment of a voluntary global fund or other appropriate financing mechanism, exchange of information on specific activities, financial support for economically-viable alternatives, and cooperation to raise financial resources as “very important.”

level, financial support for economically viable alternative as an output of international cooperation was considered to be “very important” by 7 respondents. Therefore, in contrast to country implementation respondents view alternative livelihood as a global activity that can be addressed through international cooperation. Some respondents viewed the development of a Protocol or guideline as important but not very important.

2. Potential Areas for Collaboration: Preferred but Unfunded Global Activities

Generally, 9 out of 12 respondents thought that it is “very important” to contribute incremental funds to both local initiatives and initiatives at the international level in organizations like the WCO, ILO, etc. However, respondents prioritize incremental financing for country level activities over international activities.

When asked to present views on the importance of specific forms of potential areas of international cooperation that have been done or discussed in the past but are currently not in the budget or unfunded, 10-11 respondents identified certain activities (from a list) that could be jointly pursued by the Convention Secretariat with other organizations but for which currently there is no budget available. Some examples are: joint activity with the WTO Secretariat to assess the negative impact of free tobacco trade, joint activity with UNCTAD to monitor and evaluate investments of top tobacco transnationals, joint intergovernmental initiatives on addressing NCDs and reaching MDGs, and collaboration on WHO’s initiative and consultations on innovative financing for health systems and R&D.

Table 9: Survey Responses about areas of International Cooperation (currently not in budget) that are important to support tobacco control

#	Area of International Cooperation	Very Important	Important	Neutral	Not Important	Total Responses
1	Illicit Trade, e.g., joint activities with WCO/Interpol on programs to reduce illicit trade, e.g., surveillance and seizure	10	3	1	0	14
2	Trade, e.g., joint activities with WTO to assess the negative impact of freer tobacco trade	11	2	1	0	14
3	Investment, e.g., joint activity with UNCTAD to monitor and evaluate investment of top tobacco transnationals	11	2	1	0	14
4	Economics, e.g., joint research with World Bank on negative economic impact of tobacco	9	3	2	0	14
5	Finance, e.g., work with World Bank or ADB to promote financing programs for alternative livelihood or include tobacco control as a condition to loans	6	4	4	0	14
6	Women/Children/Marginal Sectors: e.g., joint program with CEDAW or CRC to promote tobacco control	6	6	2	0	14
7	MDG’s/NCD’s: e.g., joint intergovernmental initiatives such as WHO’s on addressing NCDs and reaching MDGs	11	2	1	0	14
8	Human Rights: e.g., joint activities with CHR or other regional human rights panels to promote					

	WHO FCTC	8	2	3	0	13
9	Anti-Corruption/Transparency: e.g., Joint transparency initiatives of World Bank, UNCAC, or other entities to promote Article 5.3 (Tobacco Industry Interference) and Article 19 (Liability)	8	5	1	0	14
10	Agriculture: e.g., Joint activities with FAO to promote alternative livelihood for tobacco farmers	8	2	4	0	14
11	Labor: e.g., Joint activities with ILO to promote alternative livelihood for tobacco farmers or reduce child labor in tobacco farming	9	1	4	0	14
12	Innovative Financing Mechanisms for Development: e.g., collaboration or link with the Leading Group and International Health Partnership's Task Force on Innovative Financing for Health	9	3	2	0	14
13	Innovative Financing Mechanisms for Health: e.g., collaboration with WHO'S initiative and consultations on innovative financing for health systems and R&D	10	3	1	0	14
14	Regional Activities (activities to be undertaken with regional organizations, e.g., smoke free initiatives with the ASEAN focal points on tobacco).	11	2	1	0	14
	Please specify the organization and possible activities:	<ol style="list-style-type: none"> 1. ATCA – awareness raising, capacity building, social mobilization 2. ASEAN & SEATCA – with ASEAN and MOF on tax and illicit trade; with ministry of trade/commerce and ministry of foreign affairs on international trade agreement; technical assistance to upgrade regulatory functions of countries 				
15	Activities to be undertaken by other Intergovernmental Organizations (e.g., South Centre, OECD, etc.)	7	4	1	0	12
16	Others (Specify):	1	3	2	0	6

Areas of Collaboration: Responses from IOs

As presented above, all respondents to the survey agreed that international cooperation among various international bodies will promote in country collaboration and support domestic implementation of the Treaty. Respondents also identified various activities that could be pursued through joint activities related to tobacco control with various International Organizations. Thus, it will be pertinent to compare the KII responses with the survey response.

Illicit Trade⁸⁶

10 out of 14 respondents regarded the pursuit of joint activities with the WCO on illicit trade in tobacco products as very important. The WCO provides guidance to customs administrations across the globe about the status of negotiations on the Protocol to Eliminate Illicit Trade in Tobacco Products and its implementation. WCO is currently surveying whether there are countries that are likely to implement the Protocol and the role of their customs administrations in the implementation process.

WCO has long been facilitating coordination among customs administrations regarding collection of excise tax, including tax on tobacco products. The WCO Illicit Trade Report 2012 states that the WCO will support the FCTC Secretariat in raising awareness about the Protocol and assist countries in the process of accession to the Protocol. The preparatory work will include coordination with international organizations with expertise in Protocol related matters, conducting a study on the basic requirements of a tracking-and-tracing regime and a global information sharing focal point, including best practices in this area, and developing a self-assessment checklist for use by Parties in assessing their legal, regulatory and policy frameworks in the context of the Protocol to scope their technical assistance and capacity building needs.

The WCO also participated in a study by the Financial Action Task Force (FATF) on money laundering and terror financing associated with illicit trade in tobacco and has undertaken several projects and operations in various regions targeting smuggling and trade in illicit cigarettes and tobacco. One operation in the Eastern and Southern Africa region has been implemented jointly with the Interpol.⁸⁷

However, it was observed that the cost of these activities would vary in different tax administrations and the WCO only plays a coordinating role. Hence, the potential impact of incremental funding for these activities by the WCO could not be gauged except through examples of WCO projects indicated in its reports.

Interpol

Another agency, the Interpol, works on a related tobacco control activity to curb cigarettes smuggling but was not targeted as a key informant and was not explicitly mentioned in the survey questionnaire as an illustration of potential cooperation. The significance of Interpol's activities to multisectoral collaboration and financing in tobacco control was not discovered until late 2012 after the Interpol Trafficking in Illicit Goods and Counterfeiting Programme was launched⁸⁸ to identify, disrupt and dismantle transnational organized networks behind the trafficking of illicit goods and news reports confirmed that Philip Morris International has pledged EUR 15 million over a three-year period to help develop the program.

CSOs expressed serious concern about the relationship between Interpol and the tobacco industry as this may spawn a violation of Article 5.3 in countries where the programme will be undertaken. The relationship at the international level may pose challenges for countries that are trying to protect its public health policies, including curbing cigarettes smuggling, from the commercial and vested interests of the tobacco industry. The following countries and territories had, in the past, taken part in the INTERPOL-led operations: Black Poseidon II (Belarus, Moldova, Poland, Romania, Turkey, Ukraine); Etosha (Namibia); Hurricane (China, Hong Kong, Fiji, India, Indonesia, Philippines, Thailand, Vietnam); Pacific (Brazil, Chile, Columbia, Ecuador, Panama, Peru).⁸⁹

⁸⁶ One UN agency which is a member of the UN Inter-Agency Task Force on Tobacco Control responded to the interview request by email with a regret that it could not find a staff who can talk about tobacco control and WHO FCTC.

⁸⁷ World Customs Organization (2013), *supra*, note 87.

⁸⁸ Launched in June 2012

⁸⁹ Interpol (2013), *supra*, note 59.

After some deliberation on the concerns relating to Interpol's receipt of Philip Morris funding, the FCTC COP5 decided not to defer according Interpol the status of observer to the FCTC meetings.⁹⁰

Trade

11 out of 14 respondents felt that it will be very important to pursue joint activities with the WTO Secretariat to assess the negative impact of free trade in tobacco. However, the WTO Secretariat demonstrated limited scope of involvement in tobacco control related activities. The involvement of the Secretariat on tobacco issues has been limited to participation in WHO regional workshops on the relationship between trade rules and tobacco. However, there is no cooperation on technical assistance with the FCTC Secretariat or the WHO. The involvement of WTO in tobacco control is primarily a question of its mandate. It is perceived that the WTO does not have a mandate to work on specific products like tobacco. Hence, financing needs that are specific to tobacco control have not been assessed.

Investment

11 out of 14 survey respondents had indicated that a joint activity with UNCTAD for monitoring and evaluating investments by top tobacco companies will be very important. Some information about the activities conducted by UNCTAD in relation to tobacco control could be accessed from the presentation by UNCTAD at the meeting of the Working Group on Sustainable Measures to Strengthen implementation of the FCTC. In the Working Group on Sustainable Measures to Strengthen implementation of the FCTC, UNCTAD mentioned four areas where it is collaborating with the FCTC Secretariat. These are – developing a paper on the intellectual property aspects of plain packaging of tobacco products, research on international investment agreements and tobacco, commodities and value chain analysis on tobacco, and identification of non-tariff barriers to tobacco. Currently UNCTAD is involved on research and analysis on tobacco related issues.

It will be worthwhile to probe whether there is potential for further activities such as creating an observatory for monitoring investments by tobacco companies and whether there is a need for additional financing to pursue such activities.

Regional Activities

When asked if financial assistance to regional networks or institutions could support the implementation of the FCTC, 11 out of 14 survey respondents indicated that activities to be undertaken with regional intergovernmental organizations such as the smoke free initiatives with the ASEAN focal points on tobacco control are very important. Respondents specifically mentioned the ASEAN and the African Tobacco Control Alliance (ATCA) in this context. However, no response from the secretariats of targeted regional organizations was received. Lack of KII data from regional organizations is a major limitation in the research. Hence, this study does not have sufficient data to draw any conclusion about the roles of regional organizations.

Organizations exploring Innovative Financing Mechanisms

10 survey respondents consider Innovative Financing Mechanisms as a “very important” area of international cooperation. It was observed that while the WHO does not focus on how to raise money for specific health problems like tobacco or HIV/AIDs, it seeks to bring to the attention of low and middle income countries that many such countries are doing innovative things to raise money for

⁹⁰ Framework Convention Alliance (2012), *supra*, note 61.

health. The WHO does this through sharing of such experiences. The WHO's experience on innovative means of health systems financing could be useful analogies that may be applicable to tobacco control.

Another organization that could be involved in promoting discussions on innovative financing mechanisms for tobacco control is the Leading Group on Innovative Financing for Development where various innovative financing mechanisms, including the idea of the solidarity tobacco levy (STL) has been discussed. It was indicated that new ideas on innovative financing for tobacco control will attract a lot of interest for further discussion within the Leading Group.

Labour

9 out of 14 survey responses regarded joint activities with ILO, for instance, to promote alternative livelihood for tobacco farmers or reduce child labour in tobacco farming. The ILO provides support to tobacco control related activities within its mandate in line with Articles 17 and 18 of the FCTC. The ILO reviews and disseminates data on employment trends in the tobacco sector, addressing best practices on decent work challenges in agriculture and tobacco growing, inform policies on sustainable alternatives to tobacco growing, and information on smoke free work places.

It could not be determined how much is being spent on these activities specifically, and whether external financing would be of assistance. However, KII indicated that further funding could be useful.

On the other hand, CSOs ⁹¹ recognized the work of ILO in reducing child labor in tobacco farming and particularly noted with apprehension that the ILO's International Programme on the Elimination of Child Labour (IPEC), which undertakes projects to reduce tobacco-related child labor (ILO IPEC), works in partnership with and receives financial support from global tobacco companies⁹² through the Elimination of Child Labor in Tobacco Growing Foundation (ECLT), a tobacco industry funded group. Beginning in 2002, ECLT financially supported ILO-IPEC projects to reduce tobacco-related child labor in countries such as the Dominican Republic, Indonesia, and Tanzania, and ECLT on its website states that the International Labor Organization plays an advisory role to ECLT.⁹³

Agriculture

Respondents considered joint activities to promote alternative livelihood for tobacco farmers as very important⁹⁴. It is unclear if the respondents are aware that the FAO produced 6 country studies in 2003 as part of a research project that was supported by the Government of Sweden. The FAO can provide technical assistance in relation to shifting away from tobacco cultivation to other products, undertake supply chain studies and conduct policy review. However, it was observed that there has been no request made by governments for such technical assistance. It was also observed that there was no budget for such activities, if requested; this is due to the fact that the FAO does not focus on tobacco cultivation as a programme activity.

External financing could be of assistance in undertaking further work on tobacco control in this regard. The funding needs will depend on the activity for alternative livelihood support such as training of farmers, road construction, market development and establishing cooperatives. Infrastructure costs in one country could be around US \$50000.

⁹¹ See SEATCA (2013). *Child Labour in Tobacco Cultivation in the ASEAN Region*. Retrieved from <http://seatca.org/dmdocuments/ChildLabor%20Final%202013.pdf> (last visited 27 November 2013).

⁹² In the ILO-IPEC website, ECLT is listed as a donor to ILO-IPEC in 2002-3 and 2006-7.

⁹³ Otañez (2008), *supra*, note 60.

⁹⁴ Eight (8) out of fourteen (14) survey respondents viewed joint activity with FAO on alternative livelihood for tobacco farmers to be "very important."

Economics

Only 6 of the respondents consider work with financial institutions such as the World Bank to be “very important”. The World Bank has been working on tobacco control since the 1990s. It has produced seminal studies on the economics of tobacco and since then its focus on tobacco control has strengthened in accordance with its mandate on tax and tax-related issues, as well as development and health.

The Bank provides direct technical assistance to countries with a very strong focus on tobacco taxation and has supported some of the needs assessment missions by the FCTC Secretariat.⁹⁵ In addition to direct technical assistance, the Bank can support countries through country dialogues to encourage governments to pass certain tobacco control measures that can trigger development assistance loans that could be used for tobacco control.

Tobacco control activities could also be supported through investment loans, project or program loans that can be directed through ministries of health, agriculture or finance. The tobacco control program in the World Bank is at an investment stage and resources have been mobilized from the general budget as well as a grant from the Bloomberg initiative. However, funding needs for tobacco control within the World Bank are not foreseen in the long run as the World Bank seeks to mainstream tobacco control within all areas of the World Bank’s activities, such that tobacco will be included in the national plans as part of country dialogue’s by the World Bank.

A few respondents felt that regional development banks like the ADB can play a major role in promoting financing programmes for alternative livelihood or using tobacco control as a conditionality in loans. However, it was learnt that there is a decision not to pursue further work on tobacco in the ADB. The ADB had produced a research paper in 2012 – *Tobacco Taxes: A Win-Win Measure for Fiscal Space and Health*. However, no other activity has been undertaken in relation to tobacco control. However, it was observed that external financing could make it more attractive compared to seeking resources internally for further work on tobacco control. Specifically, external funding could be useful in enabling ADB to restart its work on tobacco control by reducing the dependency on internal resources

4. Some Challenges in International Cooperation

It is interesting to note from the responses to the interview requests that 8 organizations that are partner agencies in the UN Inter-Agency Task Force on Tobacco Control either declined to be interviewed or could not identify an expert for the interview. This may be an indicator that tobacco control is a marginal issue and not prioritized in those organizations.

⁹⁵ For instance, the Bank has provided technical assistance to the Philippines, which was instrumental in the passage of the latter’s sin tax law. It continues to cooperate with the latter in relation to implementation of the law, and to assist in strengthening government capacity so that the latter can effectively exercise stewardship over the industry and closely monitor prices and their impact. The Bank also provided technical assistance in passing reforms in Gambia.

It bears stressing that all members of the Ad hoc Task Force send their representatives to the regular meetings. In accordance with the reorganization in accordance with the NCD priorities, the Task Force will now focus on NCDs but a special unit or subcommittee on tobacco control will be formed.⁹⁶

B. Summary and Conclusion

Most respondents are of the view that multisectoral cooperation at the international level contributes greatly to domestic implementation and that technical output is the most important output of cooperation among multilateral agencies and states. In addition, financial assistance, a global fund, and exchange of specific information are viewed as very important results of such international cooperation. Respondents identified many potential areas of collaboration at the global level but do not correspondingly view financing these activities as priorities vis a vis country-level implementation.

Nevertheless, some key areas of collaboration with multilateral agencies were identified and the multilateral agencies involved generally agree that incremental funding would be welcome to facilitate their involvement in tobacco control. In other words, incremental funding could have a positive impact in strengthening ongoing global activities to support tobacco control in all intergovernmental organizations interviewed except for WTO. The limitation of the WTO stems from the limited mandate of the organization with respect to tobacco rather than additional funding.

Particularly, agencies like the UNDP, WB, ILO, WCO, UNCTAD and FAO could strengthen and expand some specified activities with incremental funding. Agencies like ADB may be attracted to work on tobacco control if external funding is available.

Even without incremental funding, UNDP WB FAO and ILO which undertakes tobacco control related activities could provide further support at the request of the countries, subject to the availability of funding. For instance, the FAO currently has limited tobacco-related activities but indicated that it can provide technical assistance in the context of alternative livelihood and shifting from tobacco to other crops if governments make such a request and additional funding is available.

In some cases, such as the WB and UNDP, mainstreaming tobacco control in the institutions' programs will remove the need for external funding assistance for tobacco control activities in the long run. Informants suggest that incremental funding could assist in raising the profile of tobacco control related activities and mainstream the same within the other programs of the organization.

Although there is limited information on the role of regional organizations, the respondent focal points recognize their importance and further study needs to be made on their potential to contribute to FCTC implementation. Hence, there is a need for follow up KIIs with various regional secretariats to further measure the impact of potential of additional financial assistance on the tobacco control related work of these organizations, and explore existing mechanisms and structures in the region that can support implementation of such mechanisms.

The table below compares the survey responses on the potential of international cooperation with views on the potential impact of additional funds.

Table 10: Potential of international Cooperation

Cooperation with	Activity indicated in Survey	Survey	Potential of additional
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⁹⁶ UN ECOSOC. Ad Hoc Inter-Agency Task Force on Tobacco Control: Report of the Secretary-General. E/2013/61. Retrieved from http://www.un.org/ga/search/view_doc.asp?symbol=E/2013/61 (last visited 15 May 2013).

		Response	funds
FAO	Alternative livelihood - shifting away from tobacco	Very Important (8)	Has potential, specified benefits
WTO	Assess the impact of trade agreements on tobacco	Very Important (11)	N/A
WCO	Curbing Illicit Trade	Very Important (10)	Has potential but benefits have to be identified
World Bank	Economic impact of tobacco	Very Important (9)	Has potential but will not be required in the long-run when tobacco control becomes mainstreamed across World Bank programs

Overall, the KIIs suggest that some multilateral agencies have already initiated tobacco control-related activities that are within their respective mandates and have used these to extend tobacco control related assistance to developing countries. Funding for these activities is typically made through traditional channels used by respective multilateral agencies and generally follows UN financial rules. In some cases, private sector funding is accepted by such agencies for the listed programmes.

The forms of multi-sectoral cooperation cited have a potential to expand and should be encouraged but this can better succeed with appropriate funding allocations. CSOs raise concerns that the tobacco industry has taken advantage of the funding gap by directly funding tobacco-control related activities such as Interpol's enforcement activities⁹⁷ or indirectly supporting programs such as ILO's anti-child labor campaign through IPEC.⁹⁸ Such a situation potentially creates conflict of interest situations and could lead to potential violations of Art 5.3 for participating or beneficiary countries.⁹⁹

⁹⁷ Interpol (2013), *supra*, note 59.

⁹⁸ Otañez (2008), *supra*, note 60.

⁹⁹ Corporate Accountability International (2008), *supra*, note 61.

PART 4: FINANCIAL MECHANISMS, POTENTIAL SOURCES AND IDEAL DESIGN

This section pursues the research objective of reviewing global funding mechanisms and recommend best practices and ideal design elements in developing innovative financing mechanisms.

A. Innovative Financing in Practice

The potential of innovative financing mechanisms to generate additional resources for financing development has been noted in various international forums from the UN Millennium Declaration, 2000 to various UN General Assembly Resolutions. While there is no specific definition of what is an innovative financing mechanism, it is generally understood to mean new ways of raising or channeling financial resources that are additional to traditional forms of development financing. Additionality to minimum ODA commitments, sustainability and country ownership are key principles of innovative financing.

Box 2: List of Intergovernmental Meetings and Resolutions referring to Innovative Financing

Meetings and Resolutions	Year
United Nations (UN) Millennium Declaration	2000
Monterrey Consensus of the International Conference in Financing for Development	2002
2005 UN World Summit Outcome	2005
Paris Ministerial Conference on Innovative Development Financing Mechanisms (which established the Leading Group on Innovative Financing for Development, a body that brings together 64 countries, various international institutions, foundations, and non-governmental organizations)	2006
Doha Declaration on Financing for Development: Follow-up Conference on Financing for Development to Review the Implementation of the Monterrey Consensus	2008
Outcome of the Conference on the World Financial and Economic Crisis and its Impact on Development	2008
G8 meeting at L'Aquila, Leaders' Declaration	2009
High Level Plenary Meeting of the UN General Assembly (GA) on Millennium Development Goals (MDGs) and its outcome document	2010
United Nations General Assembly (UNGA) Resolution: Innovative Mechanisms of Financing for Development	2010
UNGA Resolution: Follow-up to the International Conference on Financing for Development	2011
UNGA Resolution: Follow-up to the International Conference on Financing for Development	2012

In terms of new approach to raising funds, innovative financing comprises mechanisms of generating new revenue streams earmarked for development activities such as new tax or levy like the international solidarity levy on airline tickets, voluntary charges, or bonds (diaspora bonds, World Bank Green Bonds). In terms of new approaches to pool public and private funds some of the existing mechanisms are the Global Fund, UNITAID, Advance Market Commitments for vaccines, and GAVI. For example, participating countries in the international airline ticket tax system imposes a small tax on the purchase of domestic or international airline tickets for all flights originating from those countries. A proportion of the revenue raised is channelled to the UNITAID which is an international drug

purchasing facility for affordable access to HIV, TB and malaria treatment. Since 2007 US \$2 billion has been raised through this mechanism. An analysis of innovative financing mechanisms and a complete list of such mechanisms is attached as ANNEX I.

Box 3: Illustration of how innovative financing mechanisms may be categorized

1. New Revenue Streams	2. New Approaches to Pool Private and Public Funds	3. New Ways to Deliver ODA	4. New Ways to Source ODA
International Solidarity Levy on Air Tickets	Global Fund	Global Fund	International Finance Facility for Immunization
Diaspora Bonds (country-level)	UNITAID	UN-REDD: Payment for Ecosystem Services	European Union (EU) Emissions Trading Scheme
World Bank Eco Notes/ Green Bonds/ Cool Bonds	Advance Market Commitments		Debt-to-Health (Debt swaps/conversions)
Clean Development Mechanism	GAVI		

The mechanisms cited above are the most commonly discussed examples of innovative financing mechanisms in developmental discussions. A brief description and a list of countries participating are given below. Countries participating may include countries that have strongly committed to join the mechanism or initiative but have not operationalized the mechanism.

Table111: Examples of Financing Mechanisms and Countries Participating

Innovative Financing	Description	Countries Participating
International Solidarity Levy on Air Tickets	Government levies US\$1-10 per airline ticket, collected by airlines, paid by passengers upon purchase of the ticket. Proceeds mostly go to UNITAID which was established specifically to channel resources raised through this initiative for the treatment of HIV, TB, and Malaria (MDG6). Up to \$2B has been raised since 2007. ¹⁰⁰	Brazil, Cameroon, Chile, Congo, France, Madagascar, Mali, Mauritius, Niger, Republic of Korea
Diaspora Bonds (country-level)	Government bonds are issued to raise money from overseas diaspora. \$35-40B has been raised. ¹⁰¹	India, Israel, Ethiopia, Kenya, Nigeria, Rwanda, Zimbabwe
World Bank Eco Notes, Green Bonds, Cool Bonds	Initiated by World Bank, bonds are issued to attract private investors inclined to support social and environmental causes. Proceeds support loans for	

¹⁰⁰ UNITAID (2012). Annual Report 2012. Retrieved from http://www.unitaid.eu/images/Annual_Report_2012/UNITAID_AR2012_ENG.pdf (last visited 18 October 2013); UNITAID (2011). Annual Report 2011. Retrieved from http://www.unitaid.eu/images/Annual_Report_2011/UNITAID_AR2011_EN.pdf (last visited 18 October 2013).

¹⁰¹ Mohapatra, Sanket; Ratha, Dilip & Silwal, Ani (2011). Outlook for Remittance Flows 2011-13: Remittance flows recover to pre-crisis levels. World Bank Migration and Development Brief 16. Migration and Remittances Unit. Retrieved from <http://siteresources.worldbank.org/EXTDECPROSPECTS/Resources/476882-1157133580628/MigrationandDevelopmentBrief16.pdf> (last visited 22 December 2013).

Innovative Financing	Description	Countries Participating
	development, climate change adaptation, or mitigation projects. \$2.3B has been raised as of 2008. ¹⁰²	
Clean Development Mechanism	Countries committed to reduce emissions under the Kyoto Protocol earn saleable certified emission reduction (CER) credits when implementing emission reduction projects in developing countries. 2% levy on these credits goes to Adaptation Fund that finances climate adaptation projects in developing countries of the Kyoto Protocol. ¹⁰³	Kyoto Protocol parties
Global Fund	International organization that pools voluntary financial contributions from governments, private sector, social enterprises, philanthropic foundations, and individuals. The Global Fund's international Board includes representatives of donor and recipient governments, non-governmental organizations, the private sector (including businesses and foundations) and affected communities. Key international development partners also participate, including the WHO, UNAIDS, public-private partnerships (Roll Back Malaria, Stop TB, UNITAID) and the World Bank. US\$ 22.9 billion has been raised as of mid-2012. ¹⁰⁴	151 countries
Global Alliance for Vaccines and Immunisation (GAVI)	Public private partnership composed of a broad range of stakeholders which include developed and developing country governments, research and technical health institutes, the vaccine industry in the developed and developing world, independent experts, civil society representatives, the Gates Foundation, UNICEF, WHO and the World Bank. It utilizes innovative means to cut down prices of vaccines globally (such as IFFI, Advance Commitment), and improve access of millions of children, particularly in least developed countries, to these vaccines. ¹⁰⁵	
UNITAID	Set up to manage resources generated through the airline ticket levy and also serves as an international drug purchase facility. It is governed by 12 a board of 12 members which represent the five founding countries, one representative each from Africa and Asia, two representatives from civil society organizations, one representative from private foundations and one representative from the WHO.	Brazil, Chile, France, Norway, UK, Spain (founding countries). Other participating countries – Benin, Burkina Faso, Cameroon, Central African Republic, Chile, Congo, Ivory Coast, Cyprus, Gambia, Guinea,
Advance Market Commitments	Donor countries (and the private sector, philanthropic organizations) commit funds to guarantee the price of	Canada, Italy, Norway, Russia, UK

¹⁰² Girishankar, Navin (2009). Innovating Development Finance: From Financing Sources to Financial Solutions. The World Bank. Policy Research Working Paper 5111. Retrieved from <http://elibrary.worldbank.org/docserver/download/5111.pdf?expires=1381032784&id=id&accname=guest&checksum=E44686A79F462CFA84A1FDAEC9630164> (last visited 06 October 2013).

¹⁰³ United Nations Framework Convention on Climate Change (UNFCCC). Clean Development Mechanism (CDM). Retrieved from <http://cdm.unfccc.int/> (last visited 18 October 2013); Adaptation Fund. Retrieved from www.adaptation-fund.org (last visited 18 October 2013).

¹⁰⁴ Global Fund to Fight AIDS, Tuberculosis and Malaria. Retrieved from <http://www.theglobalfund.org/en/> (last visited 18 October 2013); The Global Fund to Fight AIDS, Tuberculosis and Malaria. Governance Handbook: Financial Resources Mobilization, Management and Oversight.

¹⁰⁵ GAVI Alliance. Retrieved from www.gavialliance.org (last visited 18 October 2013).

Innovative Financing	Description	Countries Participating
	pneumococcal vaccine as an incentive for pharmaceuticals to develop an otherwise non-commercially viable product. \$1.5B has been committed. GAVI Alliance is the implementing agency.	
UN-REDD: Payment for Ecosystem Services	Traditional ODA funds used to incentivize farmers or governments to protect the environment and conserve natural resources through the UN Collaborative Programme on Reducing emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD) ¹⁰⁶ This is a result of the collaboration among Food and Agriculture Organization (FAO), United Nations Development Programme (UNDP), and United Nations Environment Programme (UNEP)	EU, Japan, Norway, Denmark, Spain
International Finance Facility for Immunization	Donor governments frontload ODA by issuing bonds on international capital markets and repays investors with legally binding ODA commitments of the donor governments. Most proceeds are channeled into GAVI, a public-private partnership (PPP) to increase access to vaccines. \$3.4B has been raised. ¹⁰⁷	France, Italy, Norway, Spain, Sweden, United Kingdom, South Africa, Netherlands, Australia, Brazil
EU Emissions Trading Scheme	Germany sold emission permits to support climate-related projects in developing countries. Proceeds count as ODA. ¹⁰⁸	Germany (prospectively, other EU countries)
Debt-to-Health (Debt swaps/conversions)	Creditor countries agree to forego payment of a portion of interest and principal on the condition that the beneficiary agrees to invest an agreed amount in health through the Global Fund; initiated by Global Fund. ¹⁰⁹	Germany and Australia (creditor); Indonesia, Pakistan, Cote d'Ivoire (beneficiary)

1. Roles of various actors

Participation of Developing Countries in Innovative Financing Schemes

Both developed and developing countries have participated in innovative financing schemes. Developing governments, like Cameroon, Chile, Congo, Madagascar, Mali, Mauritius, and Niger have levied a specific amount on airline tickets for the treatment of HIV/AIDS, Tuberculosis, and Malaria,

¹⁰⁶ "The UN-REDD Programme is the United Nations collaborative initiative on Reducing Emissions from Deforestation and forest Degradation (REDD) in developing countries. The Programme was launched in 2008 and builds on the convening role and technical expertise of the Food and Agriculture Organization of the United Nations (FAO), the United Nations Development Programme (UNDP) and the United Nations Environment Programme (UNEP)." – UN-REDD Programme. About the UN-REDD Programme. Retrieved from <http://www.un-redd.org/AboutUN-REDDProgramme/tabid/102613/Default.aspx> (last visited 18 October 2013).

¹⁰⁷ International Finance Facility for Immunisation. Retrieved from <http://www.iffim.org/> (last visited 18 October 2013).

¹⁰⁸ Hurley, Gail (2012). Innovative Financing for Development: A New Model for Development Finance? UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 06 October 2013).

¹⁰⁹ *Id.* at 13, 46-47.

some of which are channeled through UNITAID;¹¹⁰ while India, Israel, Ethiopia, Kenya, Nigeria, Rwanda, and Zimbabwe have targeted the overseas diaspora communities to raise funds for development.¹¹¹

Participation of Donor Countries in Innovative Financing Schemes

Innovative financing discussions are primarily instigated by donor countries that are looking to fulfill its ODA commitment and finding a variety of ways to deliver official development assistance. Countries like France, Italy, Norway, Spain, Sweden, United Kingdom, Netherlands, Australia, and Brazil have frontloaded ODA by issuing bonds to purchase vaccines through GAVI.¹¹² Canada, Italy, Norway, Russia, and United Kingdom have committed up to \$1.5B to encourage pharmaceutical companies to develop pneumococcal vaccine through GAVI.¹¹³ EU, Japan, Norway, Denmark, and Spain have used ODA to provide incentives to farmers and governments to perform ecological services that would ultimately benefit the global ecology through the UN Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation in Developing Countries (UN-REDD).¹¹⁴ The EU has identified innovative financing as one of its priorities at the 2013 UN General Assembly.¹¹⁵

Generally, official (public) contributions to the said innovative financing mechanisms are considered ODA if the recipient country is ODA-eligible. Private contributions are not considered ODA but form part of the broad coverage of “development assistance” or “development cooperation.”¹¹⁶

Participation of PPP/ Private Sector and Multilateral Agencies

In most cases, the innovative financing schemes have arisen from a dynamic public-private partnership (PPP) that is committed to creating innovative ways to generate and disburse resources. Innovation in the health sector described above were initiated through or instigated by the GAVI or the Global Fund stakeholders. On the other hand, the UN-REDD has come into existence with the support of multilateral agencies, such as FAO, UNEP, and UNDP

Participation of Treaty Bodies

Innovative financing also serves as a means to fulfill treaty obligations and can arise from treaty negotiations and meetings of treaty parties. For instance, the Kyoto Protocol parties have agreed to a Clean Development Mechanism where saleable certified emission reduction (CER) credits can be awarded for implementing emission reduction projects in developing countries. 2% levy on these credits goes to the Adaptation Fund that finances climate adaptation projects in developing countries of the Kyoto Protocol.¹¹⁷

¹¹⁰ UNITAID (2011 & 2012), *supra*, note 108.

¹¹¹ World Bank. Diaspora for Development in Africa. Edited by Sonia Plaza & Dilip Ratha. Retrieved from <http://www.gfmd.org/documents/switzerland/m4md/Plaza.pdf> (last visited 18 October 2013).

¹¹² International Finance Facility for Immunisation. Retrieved from <http://www.iffim.org/> (last visited 18 October 2013); Pearson, Mark; Clarke, Jeremy; Ward, Laird; Grace, Cheri; Harris, Daniel & Cooper, Matthew (June 2011). Evaluation of the International Finance Facility for Immunisation (IFFIm). HLSP. Retrieved from <http://www.iffim.org/library/documents/evaluations/> (last visited 22 December 2013).

¹¹³ GAVI Alliance, *supra*, note 113.

¹¹⁴ UN-REDD Programme. Retrieved from www.un-redd.org/ (last visited 18 October 2013).

¹¹⁵ European Union. EU Priorities for the 68th UN General Assembly. Retrieved from http://www.eu-un.europa.eu/articles/en/article_13730_en.htm (last visited 18 October 2013).

¹¹⁶ OECD (2008). Is it ODA? Factsheet. Retrieved from <http://www.oecd.org/dac/stats/34086975.pdf> (last visited 06 October 2013).

¹¹⁷ Hurley (2012), *supra*, note 109, p. 15.

2. Innovative Financing Proposals

Some innovative financing mechanisms are at the proposal stage with many countries participating in the debate. One of the most active groups in this form of discussion is the Leading Group—a group of 64 nations, 18 international organizations, and 20 NGOs—which focuses on setting up innovative development financing mechanisms.¹¹⁸ The table below describes some of the financing mechanisms that have been under consideration in the past few years:

Table 12: Innovative financing proposals

Proposals	Description	Proposed by
Financial Transaction Taxes	Charge an amount (rates vary from .005%) on various forms of financial transactions, such as major currencies or purchase of stocks) ¹¹⁹	Leading Group's 2010 Report; support from Belgium, Benin, Brazil, Burkina Faso, Congo, Ethiopia, France, Guinea, Japan, Mali, Mauritania, Norway, Senegal, Spain, Togo (Leading Group). ¹²⁰
European Union FTT	Charge financial institutions within the 27 EU member states: .1% against the	European Commission

¹¹⁸ “The Leading Group on Innovative Financing for Development is a body that brings together 64 countries, various international institutions, foundations, and non-governmental organisations. It is aimed at promoting discussions and actions about setting up innovative development financing mechanisms. There are now 64 country members of the Leading Group, 18 international organisations and over 20 NGOs.”

Members of the Leading Group:

- **COUNTRIES:** Algeria, Austria, Bangladesh, Belgium, Benin, Bhoutan, Brazil, Burkina Faso, Burundi, Cambodia, Cameroun, Cap Verde, Central African Republic, Chile, China, Congo, Cyprus, Djibouti, Ecuador, Egypt, Ethiopia, Finland, France, Gabon, Germany, Guatemala, Guinea, Guinea-Bissau, Haiti, India, Italy, Ivory Coast, Japan, Jordan, Lebanon, Liberia, Luxembourg, Madagascar, Mali, Mauritania, Mauritius, Mexico, Morocco, Mozambique, Namibia, Netherlands, Nicaragua, Niger, Nigeria, Norway, Poland, Romania, Russia, Sao Tome and Principe, Saudi Arabia, Senegal, Sierra Leone, South Africa, South Korea, Spain, Sri Lanka, Togo, United Kingdom, Uruguay + European Commission
- **INTERNATIONAL ORGANIZATIONS:** Asian Development Bank, African Development Bank, Commonwealth Secretariat, FAO, Gavi Alliance, the Global Fund to Fight AIDS, Tuberculosis and Malaria, IFAD, IMF, Inter-American Development Bank, FAO, OIF (organisation internationale de la francophonie) OECD, UN, UNAIDS, UNDP, UNFPA, UNICEF, WFP, WHO, World Bank.
- **FOUNDATION:** Bill and Melinda Gates Foundation
- **NGOs:** ABONG, Acción, ACF – Action contre la faim, Act Up Paris, AIDES, Altermonde, Attac, Care, Citizens' Coalition for Economic Justice (CCEJ), CCFD, CONCORD, CONGAD, Coordination Sud, Development Initiatives, Forum de la Jeunesse Issue des Migrations (FOJIM), Halifax-initiative, Kulima, Mani Tese, the North-South Institute, Results Japan, Stamp out Poverty, Synergies Africaines, Tax Justice Network, Ubuntu, World Economy, Ecology & Development

Sources: Leading Group on Innovative Financing for Development. FAQ / Q & A. Retrieved from <http://leadinggroup.org/article189.html> (last visited 18 October 2013); Leading Group on Innovative Financing for Development. Members of the Leading Group Retrieved from <http://leadinggroup.org/article48.html> (last visited 18 October 2013).

¹¹⁹ United Nations (2009). Report of the Commission of Experts of the President of the United Nations General Assembly on Reforms of the International Monetary and Financial System. Retrieved from http://www.un.org/ga/econcrisissummit/docs/FinalReport_CoE.pdf (last visited 18 October 2013).

¹²⁰ Leading Group. Innovative Financing for Development – Declaration. Retrieved from www.leadinggroup.org/IMG/pdf/pdf_DeclarationTTF_ENG.pdf (retrieved from 18 October 2013).

Proposals	Description	Proposed by
	exchange of shares and bonds, and .01% across derivative contracts ¹²¹	
Carbon Taxes	Levy a fee for each ton of CO ² emitted or a charge on maritime or bunker fuel, e.g., \$2/ton ¹²²	UN Secretary General High Level Advisory Group on Climate change, World bank (WB), International Monetary Fund (IMF)
Solidarity Tobacco Contribution	Levy a tax of \$.05 per pack in G20 countries to raise \$4.3B; proposed levy has varying amounts depending on type of country to raise \$9B; explore taxing tobacco for health ¹²³	WHO Discussion Paper; Leading Group Task Force on Health

Solidarity Tobacco Contribution

In October 2011, the WHO released a discussion paper on “The (Global) Solidarity Tobacco Contribution – A new international health-financing concept prepared by the World Health Organization,” estimating that a tax increase of US\$0.05 per pack sold in G20+ countries would raise US\$7B, and that 30% of the revenue can be allocated to fund international health activities. The proposed tax rate would vary based on a country’s economic standing: US\$0.03 for upper middle-income countries, US\$0.01 for lower middle-income countries, and nothing for low-income countries.¹²⁴ Supporting this concept, Bill Gates has estimated that a solidarity tobacco contribution may raise US\$9 billion per year for health.¹²⁵ This proposal emphasizes how tobacco taxes promote a two-pronged benefit of reducing tobacco consumption as well as mobilizing substantial revenue for health, particularly to address non-communicable diseases (NCDs), which necessarily includes tobacco control programs.

While some have observed that the solidarity tobacco levy may be regressive on low- and middle-income countries, others observed that taxes on harmful products could also reduce the exposure of the poor to such products like tobacco. Callard and Collishaw criticized the solidarity tobacco levy for disproportionately burdening low- and middle-income countries that consume more cigarettes because of the nature of the tax (i.e., consumption tax), and proposed that taxes, particularly for global purposes, should be based on national income or income of the tobacco industry to make it more equitable.¹²⁶ Notably, the idea of earmarking tobacco taxes from poor countries for global pooling

¹²¹ European Commission (2011). Financial Transaction Tax: Making the financial sector pay its fair share. Retrieved from <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/1085&format=HTML&aged=0&language=EN&guiLanguage=en> (last visited 18 October 2013).

¹²² World Bank (2011). Mobilizing Climate Finance: A Paper prepared at the Request of G20 Finance Ministers. Retrieved from <http://www.theguardian.com/environment/interactive/2011/sep/21/mobilising-climate-finance-report-g20> (last visited 18 October 2013).

¹²³ WHO (2011). The Solidarity Tobacco Contribution: A new international health financing concept prepared by the World Health Organization. Retrieved from http://www.who.int/nmh/events/un_ncd_summit2011/ncds_stc.pdf (last visited 16 October 2013).

¹²⁴ *Id.* at 12.

¹²⁵ Gates, Bill (2011). *Innovation With Impact: Financing 21st Century Development*. A report by Bill Gates to G20 leaders, Cannes Summit. Retrieved from <http://www.gatesfoundation.org/~media/GFO/Documents/2011%20G20%20Report%20PDFs/Executive%20Summary/execsummaryenglish.pdf> (last visited 18 October 2013).

¹²⁶ Callard, Cynthia & Collishaw, Neil (2011). Using tobacco taxes to fund international health efforts: The distributional impact of a proposed Solidarity Tobacco Levy (unpublished; on file with the authors).

creates a burden on developing countries,¹²⁷ inconsistent with the innovative financing principles documented in UN General Assembly resolutions and other declarations.¹²⁸

The WHO was not the first to explore tobacco tax as a potential funding source for global development. It was among the options picked out by the Leading Group and the Taskforce on Innovative International Financing for Health Systems in 33 of the poorest countries¹²⁹. Tobacco taxes have also been reviewed as a potential solution to the funding gap in the environmental concerns in accordance with the obligations set out in the United Nations Framework Convention on Climate Change (UNFCCC).

Tax on Repatriated Tobacco Profits

Callard projected that 1% tax on repatriated profits of tobacco companies would raise 200M\$ a year to support FCTC implementation. She reported that five (5) tobacco companies control 90% of the world's cigarette market and four (4) of these are publicly traded corporations (i.e., British American Tobacco, Philip Morris, Japan Tobacco, and Imperial). Her estimates show that the revenues of these transnationals amounted to \$300B and corporate earnings were over \$25B. To correct the imbalance of tobacco industry investors'/shareholders' earnings from poor smokers in developing countries, she recommended for the FCTC Parties to consider channeling some of these earnings to fund FCTC implementation or global health efforts through a transaction tax or a surtax on earnings for health promotion, both of which apply the polluter's pay principle¹³⁰

Some welcomed the idea of a repatriated profits tax and have underscored the need to further explore if it can work. It was also observed that implications of companies adopting tax avoidance strategies to conceal profits and the need for countries to act collectively will have to be factored in.

In a similar approach, Brazil had proposed in the WHO Expert Working Group on R&D Financing and Coordination for a tax on repatriated profits of foreign pharmaceutical companies to finance research and development of drugs for diseases that disproportionately affect developing countries.¹³¹

¹²⁷ *Id.*

¹²⁸ UNGA (2011). Innovative mechanisms of financing for development. Resolution adopted by the General Assembly on 20 December 2010 [on the report of the Second Committee (A/65/435)]. Sixty-fifth session. Agenda item 19. A/RES/65/146. 4 February 2011. Retrieved from <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N10/521/30/PDF/N1052130.pdf?OpenElement> (last visited 18 October 2013); United Nations (2009). Doha Declaration on Financing for Development. Retrieved from http://www.un.org/esa/ffd/doha/documents/Doha_Declaration_FFD.pdf (last visited 18 October 2013).

¹²⁹ McCoy, David & Briki, Nouria (2010). Taskforce on Innovative International Financing for Health Systems: what next? *Bulletin World Health Organization*. doi: 10.2471/BLT.09.074419. Retrieved from <http://www.ncbi.nlm.nih.gov/pmc/articles/PMC2878152/pdf/BLT.09.074419.pdf> (last visited 22 December 2013). pp. 478–480.

¹³⁰ Callard, Cynthia (2010). "Follow the money: How the billions of dollars that flow from smokers in poor nations to companies in rich nations greatly exceed funding for global tobacco control and what might be done about it." *Tobacco Control* 19:285-290. Retrieved from <http://tobaccocontrol.bmj.com/content/19/4/285.full.pdf+html> (last visited 18 October 2013).

¹³¹ Brazil had proposed in the WHO Expert Working Group on R&D Financing for a tax on profits of foreign pharmaceutical companies for raising finances to support R&D on neglected diseases. The WHO CEWG had noted this proposal to be interesting, but observed that further analysis of implications of transfer pricing, tax agreements, and investment treaties would be required to explore this. See WHO (2012). Research and Development to Meet Health Needs in Developing Countries: Strengthening Global Financing and Coordination – Report of the Consultative Expert Working Group on Research and Development: Financing and Coordination. Retrieved from http://www.who.int/phi/CEWG_Report_5_April_2012.pdf (last visited 22 December 2013). p. 66.

B. Experience on Innovative Funding Mechanisms

The experience of various multilateral agencies and donor institutions on existing innovative financing mechanisms is valuable in determining the appropriate design of innovative financing mechanisms for tobacco control. In view of this, the research team tapped the expertise of informants and experts from multilateral agencies and donor organizations.¹³²

1. Sources of Financing and Sustainability

A majority of the respondents preferred tobacco based sources. This is further verified from KIs where a number of interviewees were of the view that tobacco based sourcing of finances for the purpose of tobacco control would be more attractive and justifiable. Respondents also preferred that that innovative financing should have the effect of increasing the price of tobacco products.

Most experts, on the other hand, claim that sustainability and regularity of financial flows is considered as one of the key issues in designing new financing mechanisms. An expert on innovative financing from a donor country mentioned in a key informant interview that in practice, there are not many mechanisms which can supply regular flows.

An expert noted that it would be better to have a global fund that is financed by different kinds of mechanisms because that will give greater flexibility and safeguard against the possibility of one mechanism not working well. For example, the UNITAID is financed not only by the air ticket levy, but also by contributions from the private sector and public sector.

It bears stressing that finances can also be raised through taxes, voluntary charges or market-based mechanisms such as bonds, exchange traded schemes, etc. Notably, informants viewed taxes as more stable and predictable than voluntary charges.

Similarly, it was observed that voluntary charges do not raise much money. For instance, while Product Red has raised some money, there are many voluntary health insurance schemes in the countries that do not cover the poor. Furthermore, most of the money for UNITAID comes from a few countries which have made the air ticket tax mandatory. Moreover, voluntary charges can be very expensive to administer since they involve huge amounts of expenditure on advertising the mechanism. The returns can be low compared to the risk involved. Even the best known of such mechanisms - Product Red - is not very widely known. Other voluntary mechanisms such as the MassiveGood project¹³³ and the Global Digital Solidarity Fund have also failed. Therefore, it will be important to have diverse and stable sources of financing for the funds.

For funds that rely on donor entities such as the Global Fund, a key challenge is the lack of consistent, renewed support especially because innovative financing mechanisms require a long-term view.¹³⁴ Hence long-term relationship building with donor governments are seen as important because

¹³² See Annex D for a complete list of experts consulted.

¹³³ The Massive Good Project was launched in Spain in 2010 with the involvement of some of the leading travel companies in the world. The project implemented a web-based mechanism for the payment of a small voluntary charge while booking for travel and hotel. While the mechanism was set up with an investment of around \$11 billion, in 3 years of its operation, it generated only \$300,000. See <http://www.tnooz.com/article/massivegood-charity-project-axed-travel-technology-worked-but-brand-failed/>

¹³⁴ For example, only 1 or 2 governments have joined the Debt-to-Health program which has been running for 7 years. It took 4 years to set up the Product Red. For the UNITAID, it took 3 years to establish it, and

this makes the donors interested in the ideas of innovative financing and its benefits.

2. Impact on ODA

Innovative financing mechanisms are intended to generate and distribute financial resources for development that will be additional to ODA. However, some experts observed that resources generated through innovative financing mechanisms is accounted for as aid and has enabled donor governments to offset the decline in traditional ODA through innovative financing. While the OECD DAC guidelines allow donor governments to report resources raised through innovative mechanisms such as the airline ticket tax as ODA, the issue is whether the innovative financing mechanisms which qualify as ODA have increased the levels of ODA. Or whether innovative mechanisms of raising finance substituted traditional ways of financing development aid through domestic taxation.¹³⁵

According to the OECD, of the US \$5.5 billion raised through various mechanisms between 2002 to 2010, only US \$0.2 billion was reported as additional.¹³⁶ It was observed by the Global Fund that keeping AIDS, TB and Malaria as a priority on the political agenda is particularly challenging in view of limited resources available for various development challenges. To expand the limited pool of resources for development finance it will be important for governments to increase their ODA and put more money behind all important priorities.

3. Legal Issues

Legal issues could also impact the operation of a global fund mechanism. Sometimes donor governments can be legally constrained from making commitments beyond a stipulated budget cycle or promise future funds.¹³⁷ It was pointed out that such legal constraints have prevented broader participation in the International Finance Facility for Immunization (IFFIm). The review of literature also points to legal constraints in implementing the financial transactions tax (FTT) such as the need for parliamentary approval for raising the tax, tax administration laws and procedures, exemptions in bilateral tax treaties etc.¹³⁸ In Australia one of the first hypothecated tobacco taxes was legally challenged as unconstitutional.¹³⁹ With the Product Red, the Global Fund informant said that a legal issue could be that resources that are raised are credited to Product Red rather than the global brands which participate in the mechanism.

required 3 more years for resources to flow in. Source: Key informant interview (KII) with the Global Fund.

¹³⁵ In a KII, the informant from the Global Fund said that: "A general concern is that new financing mechanisms would not generate resources that are additional over ODA. Therefore, channeling ODA through an innovative financing mechanism in one sector could lead to reduction of ODA in other sectors. There is a general need for governments to increase their ODA and make innovative financing mechanism more feasible."

¹³⁶ Hurley (2012), *supra*, note 109, p. 22.

¹³⁷ Donors may also face legal constraints in promising future funds. This could make the finance mechanism less sustainable and predictable.

¹³⁸ Work Stream 5 on Financial Transaction Tax. Retrieved from http://www.un.org/wcm/webdav/site/climatechange/shared/Documents/AGF_reports/Work_Stream_5_Financial%20Transaction%20Tax.pdf (last visited 29 November 2013).

¹³⁹ James, Dennis (1997). Federalism Up in Smoke? The High Court Decision on State Tobacco Tax. Parliament of Australia. Current Issues Brief 1, 1996-97. Retrieved from http://www.aph.gov.au/About_Parliament/Parliamentary_Departments/Parliamentary_Library/Publications_Archive/CIB/CIB9798/98cib01 (last visited 29 November 2013).

4. Design of Financing Mechanisms

The design of a financing mechanism will depend on the purpose of the mechanism and the sources from which it will be financed. This can be done by either scaling up existing funding mechanisms or by setting up new funding mechanisms. For instance, it was suggested that a global fund for tobacco control should bring together all funders and development agencies. Interestingly, one key informant also observed that a funding mechanism for NCDs will be more feasible than a funding mechanism only for tobacco.

Taxing Harmful Activities

According to a key informant, the design of the tax mechanism would also depend on the nature of the activity that is to be taxed. In this case, respondents preferred that taxes on harmful products (tobacco, alcohol) or harmful activities (financial speculation) should have a high tax rate to eliminate the consumption of such products or activities. Therefore, such forms of taxes would be ultimately expected to decline or disappear as the harmful activity diminishes. Conversely, taxes for other products or activities can be kept at a low threshold to generate resources without damaging the stability of the activity. This approach is followed in the case of the airline ticket tax. Notably, 11 out of 12 respondents were of the view that innovative financing should increase price of tobacco, 9 out of 12 held that innovative financing should increase the cost of unhealthy behaviour.

Predictable Levy

One informant cited UNITAID as a possible mechanism that could be replicated for tobacco. However, another key informant observed that the airline ticket tax for UNITAID is rare and countries are not likely to do that very often. For such a mechanism, it is important for big countries to participate and so far, France is the only developed country that has implemented this mechanism.¹⁴⁰

A key informant from the development cooperation agency of a donor country that is a leading advocate for innovative financing mechanisms also observed that the airline ticket levy such as that utilized by UNITAID is very interesting as it is based on an activity that is stable, on the increase, and the level of the levy is small. In fact scaling up the airline ticket levy for financing other development challenges have been proposed. For instance, in the UN climate negotiations, the least developed countries (LDC) group had proposed in 2009 that a modest airline ticket levy could raise US \$10 billion a year to help address the adaptation needs of countries in the frontline of climate change.¹⁴¹

Governance Mechanisms that are dedicated but not costly

When asked about where the incremental funds will be housed, one informant mentioned that an international fund administered by the WHO would offer the benefit of using an existing global body over creating a new fund administration body. However, another informant observed that the WHO has no expertise of fund administration; rather, it would be preferable to make use of existing health funding mechanisms. On the other hand, a third informant was skeptical about the implementation strength of a fund administered by the COP.

Experts from international organizations administering global funds have generally suggested that designing a new financing mechanism should be avoided as far as possible as this would involve large overhead and set-up costs. One key informant qualified that unless a huge amount of money is raised,

¹⁴⁰ Apart from France, other countries implementing the solidarity air ticket levy are Brazil, Cameroon, Chile, Congo, Madagascar, Mali, Mauritius, Niger, and Republic of Korea.

¹⁴¹ Vidal, John (2009). Poor Nations call for 'Levy' on Air Tickets to Help Adapt to Climate Change. *The Guardian*. Posted on 6 April 2009. Retrieved from <http://www.theguardian.com/environment/2009/apr/06/aviation-climate-change-tax> (last visited 27 November 2013).

it will not be advisable to set up a new fund administration mechanism. However, the survey respondents at country level consider new bodies established for the specific purpose of fund management or independent structures involving non-state actors as very reliable (5 of 11) or reliable (4 of 11), and slightly more reliable than the traditional structures or existing international organizations (very reliable, 4 of 11 vis a vis reliable 5 of 11).¹⁴² Notably, these are inputs from tobacco focal points at the health ministries, data from the finance ministries and related experts in the country are not available.

The need to keep management costs low was also stressed by experts. For example, GAVI and UNITAID have very small secretariats.

Private Sector and CSO Role

Some KII respondents emphasized on the importance of involving the private sector in the governance of the fund. The role of non-state actors in financing for development have been prominent since the Global Fund where the Gates Foundation sits on the board along with state actors. Even in the GEF where non-state actors do not have a governance role, CSOs are still present as observers.

CSO involvement was also highlighted. It was observed that it may be useful to involve the civil society activists on tobacco control in the governance of the funds. The Global Fund also has had some success in mobilizing the civil society.

Identification of Activities for which incremental funds will be used

It will also be important for such a fund to identify what activities will be funded over a period of time and how much will governments put in. One informant suggested that the global health fund should be for financing public health in general and countries can determine allocations to specific health challenges.

9 out of 11 survey respondents consider it “very important” that an increase in financing should go to domestic FCTC implementation exclusively, 2 respondents consider this “important”. 7 Of 11 respondents deem it “very important” to contribute to NCDs and 3 of 11 to international cooperation (5 deem this important. Although there is consensus that international cooperation is important, it seems that own country funds must be prioritized.

5. Article 6 and Art 26¹⁴³

During the meeting of the Working Group on Sustainable Mechanisms for Implementation of FCTC, 3 countries specifically mentioned the need to explore innovative financing mechanisms for resource

¹⁴² In designing innovative financing mechanisms, the following types of mechanisms can be considered: (1) a fund administered by an intergovernmental organization (e.g., a WHO-administered fund); (2) an intergovernmental body established to manage a fund (e.g., a COP or subsidiary body-administered fund); or (3) independent global private-public partnerships involving non-state actors (e.g., the Global Fund). Survey respondents were equally divided about which form of governance mechanism would be preferable.

¹⁴³ Article 26 of the FCTC places a number of obligations on the Parties with regard to financial resources. These responsibilities are: (1) to provide financial support in respect of national activities for implementing the Convention; (2) to promote bilateral, subregional, regional, and multilateral channels of funding to support multisectoral tobacco-control programs in developing countries and transition economies, particularly economically-viable activities; (3) to encourage relevant international and regional organizations to provide financial assistance to developing countries and transition economies; (4) to mobilize all relevant existing and potential technical and financial resources; and, (5) to take a

mobilization. 2 countries expressed the need to follow the recommendation in the partial Article 6 guidelines for countries to consider a dedicated revenue stream for tobacco control from tobacco taxation. The Working Group discussed mobilizing resources and recognized the need to further explore a sustainable funding mechanism in line with Article 26 and the guidelines on Article 6 of the FCTC, to support tobacco control through resource mobilization at the country level.

Making the most of Article 6 and 26, a key informant suggested targeting duty free sales of tobacco by imposing a levy, in an approach similar to the levy on airline ticket sales. Currently, most ministries of finance do not tax duty-free sales, hence, the current revenues will not be affected and the taxes will generate new revenue.

C. Summary and Conclusions

Innovative financing comprises mechanisms of generating new revenue streams earmarked for development activities such as new tax or levy like the international solidarity levy on airline tickets, voluntary charges, or bonds, or creating new approaches to pool public and private funds some of the existing mechanisms such as the Global Fund, UNITAID, Advance Market Commitments for vaccines, and GAVI.

Although tobacco taxes have been discussed in many fora where innovative financing discussion has been mainstreamed, only two innovative financing mechanisms for tobacco control have been studied so far: The .05 cents Solidarity Levy on tobacco products (WHO STL) and the 1% tax on tobacco profits (TRTP)

Despite the avid discussions in various forums on the concept of tobacco taxes for development and the involvement of many FCTC parties in such discussions, this debate has not extended to the FCTC Conference of Parties (COP).

Survey shows that respondent focal points appreciate the much needed technical and financial assistance, value the importance of international cooperation to promote multisectoral collaboration within the country, welcome incremental funding, recognize the need to explore financing mechanisms, and are open to the idea of establishing a global fund.

Literature supports experts' claims that sustainability and regularity of financial flows is considered as one of the key issues in designing new financing mechanisms. However, there are not many mechanisms which can supply regular flows. Elements contributing to an ideal financing can be summarized as follows:

- f. Tax based, preferably on tobacco: Taxes are considered more stable and predictable than voluntary charges which can be very expensive to administer. While finances can be raised from non-tobacco based sources such as tax on alcohol, carbon emissions, etc., raising finances from tobacco based sources will be more feasible and acceptable for tobacco control.
- g. Various sources of funds ideal as long as additional (not ODA substitute): A global fund that is financed by different kinds of sources is ideal because it gives greater flexibility and safeguards against the possibility of one mechanism not working well or failure of donor to support. In any case, funding from innovating finance mechanisms must not be a substitute for ODA.
- h. Cost effective governance system with private sector and CSO support: Governance structures to administer the fund must not incur high costs and should emphasize the role of private

decision in COP on the necessity to enhance existing mechanisms, or establish a voluntary global fund or other appropriate financial mechanism to channel additional financial resources.

sector and CSOs.

- i. Legal issues considered: Potential legal issues must be taken into consideration such as pledging beyond budget cycle limitations, the need to comply with administration laws and procedures, constitutionality, and the impact of exemptions in bilateral tax treaties.
- j. Use of funds identified: A financing mechanism should clearly identify the activities where the funds will be used. Ideally, the beneficiaries of an innovative financing mechanisms should be able to identify activities that will support implementation of the FCTC.

Notably, it was observed by a key informant that funding should benefit a broader set of public health issues (e.g. NCDs) and countries should decide on whether they wish to fund tobacco control. However, this recommendation fails to address the fact that tobacco control has historically been severely underfunded and is likely to remain that way because the foremost challenge in tobacco control is the lack of political will caused by or coupled with tobacco industry interference.

PART 5: EXPLORING THE POTENTIAL IMPACT OF INCREMENTAL FUNDING

This section discusses the possible impact of incremental funding and seeks to fulfill the research objective of determining the potential impact of making incremental funding available through proposed financing mechanisms.

Potential impact would depend on the amount of incremental funding raised, the impact on the ones on whom the burden is imposed, and the tobacco control activities that benefited from the funding.

A. Burden of the Tobacco Industry and the subject of simulations

Compared with other sources of financing like levy on alcohol, arms trade, airline/ travel, carbon emissions, financial transaction, voluntary contributions, mandatory contributions, consumer activity, debt reduction strategies, and burden on certain category of countries (such as low, middle, high income), of which only 0-3 respondents marked “very important;” an innovative financing mechanism that puts the burden on the tobacco industry stood out. 10 of 11 countries indicated that ensuring that the tobacco industry bears the burden is “very important.” The choices include very important, important, neutral, or least important.¹⁴⁴

Hence, for purposes of this study, the innovative financing mechanisms used the two proposals that involve imposing a burden on the tobacco industry, tobacco activity, or tobacco consumption: solidarity tobacco levy (STL) or solidarity tobacco contribution (STC) and Tax on Repatriated Tobacco Profits (TRTP)

B. STL and TRTP

In studying the viability of tobacco taxes as a solidarity contribution that was recommended by The Taskforce on Innovative International Financing for Health Systems,¹⁴⁵ the WHO proposed what is now known as solidarity tobacco levy (STL) or solidarity tobacco contribution (STC). According to the World Health Organization (WHO, if G20+¹⁴⁶ countries introduced an additional US\$0.50, US\$0.03, and US\$0.01 in high-income, upper-middle-, and lower-middle-income country members, respectively, as a STL for each pack of 20 cigarettes; a total of US\$5.47 billion in additional revenue can be raised to fund international activities for tobacco control.

¹⁴⁴ In addition, four to six (4-6) survey respondents consider donor institutions and private sector contribution to be “very important” sources of innovative financing. Examples of such initiative include the Global Fund, of which public health officials, such as the survey respondents, are very familiar with. However, these types of fund-pooling mechanisms will not be discussed in this study since these do not point to a specific source of the fund.

¹⁴⁵ Taskforce on Innovative International Financing for Health Systems. More Money for Health, and More Health for the Money. Retrieved from http://reliefweb.int/sites/reliefweb.int/files/resources/95113F26A1B30CC049257640001EB91C-IHPtaskforce_Sep09.pdf (last visited 27 November 2013).

¹⁴⁶ G20+ countries include the following: Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, China, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Italy, Japan, Latvia, Lithuania, Malta, Mexico, Netherlands, Norway, Poland, Portugal, Romania, Republic of Korea, Russia, Saudi Arabia, Slovakia, South Africa, Spain, Sweden, Turkey, United Kingdom, and United States.

Aside from the WHO STL, a levy on the remittance of overseas profits to transnational tobacco producers has been suggested by Callard and Collishaw (2011) and is expected to yield US\$200 million per year to support the implementation of the Framework Convention on Tobacco Control (FCTC). This proposed levy is called the Tax on Repatriated Tobacco Profits (TRTP) and is pegged initially at 1.0%. According to Callard and Collishaw, a 10-fold increase of this TRTP could provide additional funds to support global NCD interventions and can match the US\$2 billion originally proposed by the WHO through the STL.

C. Simulations based on Assumed Targets¹⁴⁷

Based on these particular benchmarks, five practical targets¹⁴⁸ are identified to aid in making projections for the modified STL proposal and the TRTP. The five practical target amount to be raised for global tobacco control are:

- I. \$20M/year: This amount is likely to approximate the FCTC Secretariat's budget in the coming years. This amount represents approximately half of the developmental assistance in 2009;
- II. \$50M/ year: This amount approximates the total amount of developmental assistance for tobacco control in 2009. If an incremental \$50M/ year can be raised, this would double the developmental assistance available for tobacco control and accelerate FCTC implementation. This amount is within the range of the estimate of total amount spent by two major transnational tobacco companies on CSR: \$60M;

¹⁴⁷ This study utilized estimates of cigarette sales of various countries from the 2012-2013 Euromonitor Cigarette Report, and also adopted the World Bank's classification of different countries according to their income: high-income (HIC), upper-middle-income (UMIC), and lower-middle-income countries (LMIC). All data are 2011 figures, including the 2011 population data from the World Health Statistics 2013 and the estimates of 2011 smoking population from the 2012-2013 Euromonitor Cigarette Report. In addition to these data, which were primarily used for the modified WHO STL simulations, this paper also utilized data from Callard and Collishaw's research for the TRTP simulation, particularly, estimated dividend payments from transnational tobacco companies in 2009.

¹⁴⁸ Certain "benchmarks" were used to derive practical targets and to aid in making projections. An example of this benchmark is that of Bill Gates who projected the WHO STL to raise funds for global health at US\$10 billion per year. Another is from Callard and Collishaw who estimated that a TRTP of 1% could raise US\$200 million a year for tobacco control. The third identified benchmark deals with the estimated national tobacco control expenditures of certain developing countries, which according to the WHO, is pegged at US\$14 million per year (versus their total tobacco tax revenues of about US\$66.5 million annually). The fourth measure is the FCTC Secretariat's annual budget of about US\$17.5 million. The fifth is the total development assistance for tobacco control due to contributions from private philanthropies at US\$44.2 million as of 2009.

Further, the required budget for cost-effective tobacco control interventions in low-middle-income countries is estimated at US\$620 million annually. On the other hand, only less than US\$65 million per year is actually spent by these countries to address the tobacco epidemic. Moreover, a total of US\$6 to US\$19 billion per year is needed for cost-effective interventions, nicotine replacement therapy (NRT), and cigarette price increase in developing countries. This estimate is conservative because the cost of smoking to society, like in the United Kingdom, is said to be at US\$21.9 billion annually.

Lastly, the Tobacco Master Settlement Agreement (MSA) of about US\$8.2 billion per year (or US\$206 billion) for twenty-five (25) years beginning 1998 is another important measure. This is broken down into the Strategic Contribution Fund of US\$8.61 from 2008-2017, plus US\$1.5 billion per year for ten years for the National Association of Attorneys General.

- III. \$100M/year: \$100M represents doubling the development assistance for tobacco control;
- IV. \$600M/year: This represents the approximate cost of cost effective tobacco control interventions for low-middle-income countries. This amount can fill the gap in amount needed by developing countries to implement cost effective measures for tobacco control at US\$550 million per year; and,
- V. \$1B/year: This represents 66% of the amount contributed annually (for 10 year) to the National Association of Attorneys General under the Master Settlement Agreement and could represent a pool of funds for legal resources. This number is large compared to money that goes to tobacco control but is actually small compared with funds needed for it: A total of US\$6 to US\$19 billion per year is needed for cost effective interventions, nicotine replacement therapy (NRT), and cigarette price increase for developing countries.

D. Tobacco Control Activities that May Benefit from Increased Funds

The results of the survey are consistent with responses made in the FCTC party reports. Essentially, the parties prioritize and highlight the following activities in their reports:

- a. Awareness Raising
- b. Law Enforcement
- c. Capacity Building
- d. Research
- e. Legal Assistance
- f. Outreach to other government agencies

In the survey, 11-14 of 15 respondents agreed that awareness raising, law enforcement and capacity building are “very important,” while 7 agree that research, legal assistance, and outreach to other agencies are “very important.” Alternative livelihood and building alliances with CSOs and academe are viewed as “important” instead of “very important.”

The survey also indicated an overwhelming support for placing incremental funding for tobacco control into country level implementation, nevertheless, respondents unanimously agree that multi-sectoral cooperation at the international level will lead to better FCTC implementation at the domestic level. See Annex A, question 11 for Survey Results.

In case of multi-sectoral cooperation at the international level, responses from the survey indicate that activities that are likely to be prioritized at the global level would be on illicit trade (e.g. WCO), trade and investment (e.g. UNCTAD, WHO), economics (e.g. WB ADB), MDGs (e.g. UNGA), innovative financing mechanisms (e.g. WHO, Task Force), regional cooperation (e.g. ASEAN) These are perceived by respondents as the most important issues.

Based on Party priorities, it is likely that incremental funding will be infused into the tobacco control activities at the domestic level with particular focus on awareness raising, law enforcement and capacity building. Any amount of incremental fund from innovative financing sources would likely make a positive public health impact especially if the focus is on cost-effective measures. An amount as small as \$200,000 invested in advocacy could make a difference in tobacco control policy in developing nations.¹⁴⁹ However this amount would be too small for awareness raising activities that include mass media campaigns or smoking cessation programs.

¹⁴⁹ Bloomberg Initiative To Reduce Tobacco Use Grants Program. What we fund. Retrieved from <http://www.tobaccocontrolgrants.org/Pages/40/What-we->

Should there be any agreement that incremental funds should be pooled to scale up activities at the global level, then financial contributions are more likely to be made in the fields of illicit trade, trade and investment, economics, and financing.

Notably, alternative livelihood, which is perennially a key concern for developing tobacco producing nations, is not likely to be a priority among the many varied concerns.

There are other potential/ novel activities that are not considered in this study but may have significant value. This includes a global awareness raising campaign that includes mass media (e.g. international networks) or a potential global campaign to replace tobacco industry's so-called CSR.¹⁵⁰

E. Amounts Raised and Financial Implications

Practical targets of \$20 million, 50 million, 100 million, 600 million, 1 billion can be raised through the STL and to a limited extent, the TRTP. Generally, the amount of levy will increase as fewer countries participate and as higher amounts are targeted. The tables in this section illustrate how this would play out.

The STL of imposing a levy on cigarette packs, 2cents for LIC, 6cents for MIC, 10cents for HIC has been criticized as burdensome for poorer countries.¹⁵¹ Hence, the modified STL will be one that tries not to burden middle income countries including UMICs.

In reality, this may play out as: HICs provides a mandatory contribution while MICs provide only a voluntary contribution but are required to review the possibility of a mandatory contribution. LICs are primarily recipients which need not participate in contributing to the fund but can look into making voluntary contributions in the future.

The possible classifications considered in this study are (All FCTC member countries included):

- All HICs
- Countries with Tobacco Industry Headquarters/Main Offices (Big 3)
- Countries with Tobacco Industry Headquarters (including China)

The simulation (All HICs) reveals that even if only high income FCTC parties would be required to participate in the STL and the amount levied is only 2 cents (or \$.0197) per pack of cigarette, more than \$1 billion can be raised from this innovative financing mechanism. Assuming that 1 billion is to be raised: If only high income countries that house tobacco industry headquarters are included, then this amount goes up to \$.0265 or roughly 3 cents per pack if rounded up. Adding China to this group of countries

fund?who_region=&country_id=&amount=2&date_type=&date_from=&date_to=&viewall=View+All
(last visited 29 November 2013).

¹⁵⁰ Victorian Health Promotion Foundation (2005). The Story of VicHealth: A world first in health promotion. Retrieved from http://www.vichealth.vic.gov.au/~media/About%20Us/Story%20of%20Vichealth/Attachments/History_Book_Full_Version.ashx (last visited 29 November 2013); Cordova, Suzanne. Best Practices in Tobacco Control: Earmarked Tobacco Taxes and the Role of the Western Australian Health Promotion Foundation (Healthway). Retrieved from http://www.who.int/tobacco/training/success_stories/en/best_practices_western_australia.pdf (last visited 29 November 2013).

¹⁵¹ Callard & Collishaw (2011), *supra*, note 134.

would significantly reduce this figure to \$.0067 or less than 1 cent per pack. This is due to the significant volume of cigarettes consumed in China. See Annex I for actual simulations.

These amounts would naturally be reduced to 10% its value if only \$100 million is to be raised. For instance, the figures would be for HIC (\$.002 per pack or roughly 1/5 of 1 cent), for HIC that has tobacco company headquarters (\$.00265 per pack or roughly ¼ of 1 cent).

Even if only high income FCTC parties would participate in the STL and the amount levied is only 2 cents per pack of cigarette, more than \$1B/ year can already be raised from this innovative financing mechanism. 1 cents per pack would raise \$500M/ year which is more than Bloomberg's total commitment to scale up tobacco control funding in developing countries which is reported to have resulted in significant improvements in public health.¹⁵²

If the intention is to merely raise awareness of tobacco control, raise the profile of tobacco control, and raise only a minimal amount of funds to augment existing budget for international activities and augment financial assistance to domestic implementation in developing countries; this can easily be achieved even if only a handful of countries participated by imposing a levy of 2 cents per pack. For instance, if only France, Germany, UK and Poland participated in this STL of 2 cents per pack, the practical target of \$50M can be raised.

Because the focus of the study is primarily on HICs, these projections do not take into account the potentially significant roles of India and Brazil which are both active in discussions on innovative financing. Subsequent studies can include scenarios that include such countries if politically feasible.

In order to address concerns relating to disproportionality, various criteria can be set such as to limit the contributions depending on GDP or other indicators, to qualify them partially or fully as ODA, exclusion of certain countries, and the like.

F. Tax on Repatriated Tobacco Profits

Most countries impose a tax on dividend payments, usually withholding a certain percentage prior to remittance to another country. Shareholders who receive the dividend may also be taxed based on the dividend income. Repatriated profits taxes can thus be collected either from the source country (typically a developing country and required to be withheld by the taxing authority) or from the recipient country (tobacco company head offices).

In Callard and Collishaw's TRTP, tobacco company profits that are repatriated, typically from developing countries subsidiaries, can be taxed a certain percentage (surcharge) to raise funds for domestic FCTC implementation or for global tobacco control activities such as increasing the FCTC budget.

According to Callard, based on the records of 4 largest multinational companies (PM, JTI, IT, BAT) in 2009, more than \$20 billion in profits from cigarette sales made in developing nations "are returned to the headquarters of multinational companies in the United Kingdom (\$10.8 billion), the United States (\$10 billion) and Japan (\$1.2 billion)."¹⁵³ Based on these values, "an estimated 10% surtax on

¹⁵² Bloomberg Philanthropies (2011). Accelerating the Worldwide Movement to Reduce Tobacco Use. Retrieved from <http://www.mikebloomberg.com/BloombergPhilanthropies2011TobaccoReport.pdf> (last visited 29 November 2013).

¹⁵³ Callard, Cynthia & Collishaw, Neil (2011). Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes. Physicians for a Smoke-Free Canada.

repatriated tobacco profits of these four companies would provide more than \$2 billion in revenues: PMI would provide \$1 billion, BAT \$720 million, Imperial \$340 million and JTI \$120 million.”¹⁵⁴

Hence, around 5% TRTP can generate the practical target of \$1 billion and 0.5% can yield \$100 million while 0.1% can yield \$20 million.¹⁵⁵

The scheme seems ideal for purposes of operationalizing a polluters pay principle with respect to tobacco companies but several factors need to be considered. First of all, to reach this amount, this mechanism requires full participation of all nations involved, more than the 18 or 30 countries mentioned in the STL estimates. This can be both an advantage and a disadvantage. Higher level of participation may lead to larger volume of funds and higher level of inclusiveness. However, administration and predicting the flow of funds may be more challenging when many countries are involved. For the same reasons, projecting the potential amount to be generated can also be challenging.

Furthermore, the ability and capacity of various countries to participate should also be factored in. Some “source” developing countries do not currently impose repatriated profit taxes or have the capacity to monitor such transactions to effectively collect such taxes, others may have allowed tax treaties to apply and effectively waived such taxes when the recipient countries already impose a similar tax.

On the other hand, the TRTP can be collected at the recipient’s residence or the destination country. This could address the basic tax administration issues but also creates new challenges: of three countries from which the largest amounts would be collected UK, US and Japan, one is not an FCTC party (US) and the other is partly government owned (Japan). Hence, this type of collection mode would rely greatly on the cooperation of UK where BAT is headquartered and would affect BAT more than it would PM and JTI.

Nevertheless, there is value in exploring how much this form of surtax would yield if a small group of developing countries agreed to participate. The best method is for these countries to start by monitoring the dividend and profit payments made by tobacco companies to foreign countries. The COP can further contribute to this by encouraging parties to require this information from the tobacco industry.

G. Summary and Conclusions

¹⁵⁴ *Id.*

¹⁵⁵ The table below shows the various rates required to be imposed if the practical targets identified are to be reached.

Summary of TRTP Rates Derived from Callard’s Estimates

Targets (US\$)	Rate
1 Billion	5.00%
600 Million	3.00%
100 Million	0.50%
50 Million	0.25%
20 Million	0.10%

Both STL and TRTP can be further explored due to their potential to contribute to incremental funding for domestic and global tobacco control activities. In fact, a combination of both sources should be considered. Some countries may want to contribute by imposing a small levy (a small fraction of 1 cent to 2 cents) on each pack of cigarettes to raise 20M to 1B or by imposing a tax (.1% to 5%) on repatriated profits or dividends to raise the same amount. The STL is easier to estimate and thus adds to the predictability while estimating the TRTP with currently available data is a serious challenge.

The table below summarizes the simulation for both TRTP and STL.

Table 13: Summary of STL compared with TRTP

	HIC Only	HIC/TI	HIC/TI + China	TRTP
Number of FCTC Parties	31	18	19	
Total Smoking Population	134,201,200	104,098,400	375,619,600	
Targets (US\$)	Amounts to be Levied (US\$ cents/pack)			Rate
1 Billion	\$0.0197	\$0.0265	\$0.0067	5.00%
600 Million	\$0.0118	\$0.0159	\$0.0040	3.00%
100 Million	\$0.0020	\$0.0027	\$0.0007	0.50%
50 Million	\$0.0010	\$0.0013	\$0.0003	0.25%
20 Million	\$0.0004	\$0.0005	\$0.0001	0.10%

It is important to note that even if a handful of countries participate, both the STL and TRTP can raise significant amounts that can advance tobacco control. Practical targets of 20 million, 50 million, 100 million, 600 million, 1 billion all have the potential to accelerate FCTC implementation which currently operates at a limited budget both at the global and national particularly in developing countries. 20 million is larger than the FCTC Secretariat's budget for the biennium and 100 million per year is effectively twice the amount of the current development assistance for tobacco control.

Based on the survey respondents' views, incremental funds would likely be spent on financial assistance particularly for domestic implementation as well as on international efforts to promote multi-sectoral collaboration such as joint activities carried out with international organizations with expertise in critical sectors in tobacco control that are outside the health department (trade, illicit trade, economics).

It must be noted that respondents do not represent the official position of the government or the views of the other parties, hence in order to properly determine the ideals of the FCTC parties, the issue needs to be thoroughly discussed in a proper forum.

V. CONCLUSIONS AND RECOMMENDATIONS

V.1 *Summary*

In the context of the need for a sustainable source of funding for implementation of the Framework Convention on Tobacco Control, this research sought to develop a set of feasible options for sustainable financing mechanisms to support implementation of the FCTC in developing countries as well as to augment resources for treaty financing. In pursuit of this objective, the research explored the following topics: gaps in funding for implementation of the FCTC at the country level as well as Treaty activities by the Convention Secretariat and international cooperation to support tobacco control, the potential benefits of increased funding, the challenges to resource mobilization, potential areas of international cooperation and opportunities of multisectoral cooperation, best practices and ideal design elements in developing financing mechanisms, and the potential impact of making incremental funding available through proposed financing mechanisms.

These issues were explored on the basis of a thorough review of literature on developmental assistance for tobacco control, analysis of the FCTC budget and FCTC Party reports relating to budget, review of literature on international organizations and other mechanisms that can contribute to tobacco control and expanding fiscal policies for FCTC implementation, and the impact of implementing cost effective measures. A survey that gauges the ministry of health or tobacco control focal points' assessment of the country's needs and their perception about innovative financing and the need for funding at the global level was conducted along with some key informant interviews. Key informant interviews were also conducted with international organizations on international cooperation and experience of financing mechanisms. Further key informant interviews were conducted with secretariats of financing mechanisms, and philanthropic organizations. A few key informant interviews were also conducted with development cooperation ministries or experts on finance from intergovernmental organizations and other funding organizations about their experience of financing mechanisms and views on innovative financing for tobacco control. It should be noted that the limited survey responses and key informant interview data from ministries of finance are major limitations of the research.

The FCTC requires Parties to include tobacco control in their national priorities and provide adequate funding, seeking external funding or assistance where needed. Resources at the country level are sourced from domestic public sources, external development assistance or private philanthropic sources. In terms of domestic public sources, while tobacco control is supported by national health budgets in many countries, tobacco has to compete with other public health challenges for adequate resource allocation. Only a few countries have explored earmarking a proportion of government revenue for tobacco control. Many have relied on development assistance including private philanthropic funding, which mostly focus on certain cost-effective interventions. There has been slow progress in other areas of FCTC interventions like alternative livelihood, product regulation, curbing illicit trade, etc. There is also no estimate of the impact costs of implementing the FCTC, i.e. the economic cost of implementing certain FCTC obligations such as providing alternative livelihood support and legal costs of resisting tobacco industry interference. Moreover, there is lack of any accurate account of ODA dedicated for tobacco control.

The research finds that data required to determine the amount of resources needed is lacking as many national tobacco control focal points do not keep track of budgets for tobacco control. However, countries are able to identify priority tobacco control activities when funding opportunities are available along with technical assistance. FCTC parties have consistently highlighted the vital

importance of incremental funding and financial assistance. However, the failure to identify the specific amounts needed is a severe flaw.

Although Article 6 of the FCTC and the partial guidelines on Article 6 encourage FCTC Parties to consider dedicating revenues to tobacco control, finance ministries are generally very resistant to the idea of earmarking or hypothecating taxes and would prefer maximum flexibility in deciding budgetary allocations. Legal or constitutional prohibitions on earmarking revenues could also be present. Nevertheless, over 20 countries currently earmark tobacco taxes for health. Mainstreaming and prioritizing tobacco control through multi-sectoral cooperation will also be important to overcome these challenges and limitations. All of the respondents of the survey agree that multisectoral cooperation at the global level will aid in promoting multisectoral action in the domestic level to assist in treaty implementation. Funding, as well as intergovernmental commitments (international instruments, decisions, declarations, guidelines), will in turn facilitate the multisectoral activities at the global level.

Survey respondents indicated that technical assistance as an output of international cooperation is very important for domestic implementation of the FCTC. Respondents also indicated the need to pursue joint activities with other international organizations for which currently budgets are not available. Some KIIIs point to the need for augmenting the financial resources to support treaty activities by the FCTC Secretariat. It should be noted that in the last 2 bienniums the budgetary support for the Convention Secretariat has increased by 14-17% while extra-budgetary contributions have increased by 4%. In COP 5, FCTC Parties could not agree to increase the VACs. Therefore, the scope of core activities is limited by lack of predictability and stability of funds. While some of activities are supported currently by voluntary extra-budgetary contributions from a few individual donor countries, it was also observed that donors would be more interested in supporting results oriented interventions rather than needs assessment activities by the FCTC Secretariat. Increased funding will be necessary for investing in evaluating existing activities or exploring new ways to generate country level resources or undertaking new international activities

The responses from the IO informants suggest that incremental funding could have a positive impact in strengthening ongoing activities to support tobacco control in most intergovernmental organizations considered by respondents to play a “very important” role in FCTC implementation except for the WTO which is limited by its mandate. Incremental funding could assist in raising the profile of tobacco control related activities and mainstream the same within the other programs of the organization. Multi-sectoral cooperation among international organizations has a potential to expand and should be encouraged but this can better succeed with appropriate funding allocations. The tobacco industry has taken advantage of this opportunity as well as the funding gap by directly funding tobacco-control related activities in some international organizations such as the Interpol and ILO. Such a situation potentially creates conflict of interest situations and could lead to potential violations of Art 5.3 for participating or beneficiary countries.

The research could not gauge how financial assistance to regional networks or institutions support the implementation of the FCTC. There is a need for further research to further measure the impact of potential of additional financial assistance on the tobacco control related work of regional organizations, and explore existing mechanisms and structures in the region that can support implementation of such mechanisms.

Based on Party priorities identified from Party reports and survey responses, it is likely that incremental funding will be infused into the tobacco control activities at the domestic level with particular focus on awareness raising, law enforcement and capacity building. Any amount of incremental fund from innovative financing sources would likely make a positive public health impact especially if the focus is on cost-effective measures. An investment of \$200,000 in advocacy could make a difference in tobacco

control policy in developing nations. However this amount would be too small for awareness raising that includes mass media campaigns.

If there is agreement that incremental funds should be pooled to provide scale up activities at the global level, then financial contributions are more likely to be made in the fields of illicit trade, trade and investment, economics, and financing. Notably, alternative livelihood, which is perennially a key concern for developing tobacco producing nations, is not likely to be a priority among the many varied concerns.

The research finds that annual target amounts of US \$20 million, US \$50 million, US \$100 million, US \$600 million, and US \$1 billion could be raised from the modified STL and the TRTP to a certain extent. As the STL has been criticized to be regressive on poorer countries, the modified STL excludes low-income countries. The research finds that if only high-income FCTC Parties participated in the STL, a 2 cent levy per pack of cigarettes sold could raise US \$1 billion. Even if all high-income countries do not participate in the STL, US \$100 million can be raised if France and UAE participate in the STL.

The estimates on the proposed tax on repatriated tobacco profits suggest that between US \$20 million to US \$1 billion can be generated annually through this mechanism. While the TRTP mechanism is ideal for operationalizing a polluters pay principle with respect to tobacco companies, the mechanism will require the full participation of all countries involved in comparison to the 18 or 30 countries involved in the proposed STL mechanism. Currently, all developing countries do not tax repatriated profits and there could also be implications on tax treaties and double taxation. If the TRP is to be sourced only from the home country of the transnational tobacco company, it would depend extensively on the participation of the UK where BAT has its headquarters. It would have limited impact on Philip Morris International as it is headquartered in the US which is not a Party to the FCTC, as well as on JTI which is partly government owned.

Nevertheless, there is value in exploring how much this form of surtax would yield if a small group of developing countries agreed to participate. The best method is for these countries to start by monitoring the dividend and profit payments made by tobacco companies to foreign countries. The COP can further contribute to this by encouraging parties to require this information from the tobacco industry.

V.2 Conclusions

Tobacco taxes may potentially provide a new revenue stream for development, and this has been the subject of study in various forums, such as environment, healthcare financing, and global health (including HIV/AIDS). Among the proposals to finance the health sector, there is no assurance that tobacco control will be a priority. Typically, priorities are decided at country level and tobacco control is left to compete with other public health concerns.

A small percentage of FCTC Parties have responded to this problem by earmarking tobacco taxes for national health promotion or related activities, which may include tobacco control. Even in these situations, difficulty in allocating funds for tobacco control (*vis-à-vis* alcohol control, road safety, healthcare finance, HIV AIDS/awareness) has been reported.¹⁵⁶

Furthermore, if funding for tobacco control is to be allocated, currently this would generally channel funding to six specific cost-effective measures for tobacco control endorsed by the WHO under the

¹⁵⁶ WHO FCTC (2012), *supra*, note 24.

acronym - MPOWER.¹⁵⁷ It is not well established that the revenue will be allocated specifically for measures beyond MPOWER, or for international activities such as multi-country activities of multilateral agencies to curb illicit trade, alternative livelihood programs, etc. (for instance with the World Customs Organization and the Food and Agriculture Organization, respectively). Several other global phenomena that requires planning activities at the international or regional level are: proliferation and normalization of tobacco industry corporate social responsibility (CSR), trade-related litigation of the tobacco industry, proliferation of tobacco industry litigation at the national and subnational levels, etc.

International activities will be necessary to address the cross-border nature of tobacco control issues, like advertising and illicit trade. FCTC Parties have yet to identify the resources needed in the short-, medium-, and long-term to address this. For immediate consideration are:

- Emerging tactics of the tobacco industry, such as the use of litigation, in-country or foreign jurisdictions, trade-related or otherwise, cost government substantial amount in resources that seem contingent in nature.
- Global activities of the transnational tobacco industry, such as participation in the Global Compact to normalize tobacco industry CSR, contribution to Interpol's anti-smuggling programs, sponsoring of International Labour Organization's child labor program, and mobilization of various international or regional business organizations for trade negotiations, and the like.
- Evolving priorities with the advent of the focus on NCDs.

Country level resources are required to make tobacco control a sustainable advocacy for each country. Many countries continue to struggle for funding at the national level and through development assistance networks on a regular basis. A strategic approach identified to ensure sustainability is dedicating a portion of tobacco taxes for health promotion¹⁵⁸. But this is easier said than done due to tobacco industry resistance. Often, advocacy to increase taxes at country level require funding. While projects funded by some philanthropic organizations have allowed several countries to undertake such an advocacy¹⁵⁹, these need to be scaled up.

FCTC Parties have come to rely on the FCTC's substantive provisions and its guidelines for developing country legislation. Indeed, guidance for developing policies relating to sustainable resources for FCTC implementation can go a long way. Innovative means to charge tobacco companies for the unusual burdens it causes (e.g., fees for license, inspection, legal, other surcharge, insurance costs, etc.) both society and governments may have to be described for both advocates and governments to understand. In contrast with measures that increase tobacco prices or can be considered price measures, these measures should be considered a means of mobilizing resources for tobacco control. This needs to be monitored systematically and, best practices in this field must be shared. Reflecting the polluter's pay principle in exacting accountability from the tobacco industry is a new concept for many countries and may need to be further elaborated on.

¹⁵⁷ **MPOWER** refers to the WHO's package of six (6) effective tobacco control policies, supported by a grant from the Bloomberg Philanthropies, namely: **M**onitor tobacco use and prevention policies; **P**rotect people from tobacco smoke; **O**ffer help to quit tobacco use; **W**arn about the dangers of tobacco; **E**nforce bans on tobacco advertising, promotion, and sponsorship; and, **R**aise taxes on tobacco. – Source: WHO (2008). WHO Report on the Global Tobacco Epidemic: The MPOWER Package.

¹⁵⁸ See generally International Network of Health Promotion Foundations (INHPF) at <http://www.hpfoundations.net/establish-hp-foundations/working-together>

¹⁵⁹ See Bloomberg grants website on tax advocacy projects www.tobaccocontrolgrants.org/

The need for additional funding for tobacco control cannot be overemphasized. But it is necessary to further outline how much money is needed to fulfill the objectives of the FCTC, given the dynamism of the tobacco industry and the sheer difficulty in allocating funding for tobacco control.

Opportunities to raise funds innovatively from tobacco sources already exist and would be a good starting point for discussion. Some mechanisms are more administratively feasible than others, but in all cases, political feasibility is a critical element. A deeper understanding of the political concerns would surface and can possibly be addressed only if the ideas are allowed to be debated on, and sufficient space to explore is provided in the appropriate forum. Many of the FCTC Parties have already participated in at least one form of innovative financing mechanism. The support and participation of a handful of parties and the openness of the rest is sufficient to successfully develop an innovative financing mechanism.

V.3 Recommendations

The study points to the lack of adequate data on the extent of financial resources available for tobacco control at the country level in terms of national budgets for tobacco control as well as ODA dedicated for tobacco control. It is also not clear whether the needs assessment exercises conducted by the Convention Secretariat has specified the financial needs at the country level. Though FCTC Parties have consistently highlighted the need for incremental funding and financial assistance, the failure to identify the specific amounts needed is a severe flaw. Hence, it is recommended that the Party reports should include information on funding estimated to be required for tobacco control activities as if there is a pool of funding available to be tapped. Similarly, the amount of ODA support dedicated to tobacco control must also be monitored with a view to ensuring that the principle of additionality is observed.

Research reiterates the documented claim that additional funding is required for tobacco control activities to implement the FCTC. However, it also reveals that many focal points are not sufficiently familiar with the budget to provide estimates or gauge the magnitude of the problem. Therefore, there is a clear need to build capacity of focal persons on tobacco control to fully understand the issue of financing and to be able to think of means to promote sustainable financing for tobacco control not only for country level implementation but also to support global activities that are much needed to promote multisectoral collaboration.

Nevertheless, proving the exact amount of funding needed is not a precursor to exploring innovative financing mechanisms and in providing incremental funds. In climate change innovative financing, R&D financing, financing for development, and Global Fund discussions, the failure to fully conduct a needs assessment did not preclude discussions to move forward with innovative financing. Therefore, the COP must consider proceeding with discussions specifically on innovative financing mechanisms through another working group or within the same working group as long as the topic is given sufficient attention and time proportionate to the complexity and breadth of the issue.

Thus far, aside from the failure to examine tobacco taxes/charges as a potential source to fill the funding gaps for activities at the country level and global level, the FCTC Parties have not collectively considered other forms of innovative financing for development, such as the use of incentives and novel means to pool private and public funds to generate and disburse funds. The possibility of

establishing a voluntary global fund if necessary was enshrined in the FCTC¹⁶⁰ but the discussion surrounding this provision has been limited. The mandate of the Working Group (WG) on mechanisms of assistance to identify new tools and to review best practices to strengthen development cooperation could be an opportunity to explore mechanisms beyond the traditional constraints. However, the overall mandate of the WG is too broad. It is not clear if the much needed focus on the rather technical issue of financing mechanisms can be threshed out in that forum.

In such a forum, priority must be given to exploring STL and TRTP since these place the burden on the tobacco industry to yield incremental funds. This feature is the most popular choice among respondents. Notably, the levy on tobacco products or the tobacco companies' profits is consistent with Article 6 recommendations to consider dedicated sources of funding for tobacco control. However, there can be reluctance on the part of finance ministries and sometimes, although rarely, legal or constitutional limitations to earmarking or hypothecating specific revenues for tobacco control. Given that ministries of health in developing countries greatly rely on WHO's advice or on international instruments to guide them in the implementation of the FCTC, parties to the FCTC must work together to remove these barriers and to ensure sustainable funding for tobacco control in the face of historically low funding priority and tobacco industry interference.

There is need for greater international cooperation, including through joint activities by the Convention Secretariat/ WHO TFI and relevant intergovernmental organizations. However, respondents do not appreciate the need to contribute to funds for "global activities" as much as they appreciate the need to contribute to "country level" implementation activities. This paper provides only a glimpse of joint international activities and opportunities in international cooperation and cannot be exhaustive without involving the authority of the Convention Secretariat. The Convention Secretariat may be able to map out these activities, illustrate the potential and actual impact of such global activities and, in coordination with the appropriate agencies, make an estimate of the amount that may be needed for these activities.

Specifically, the study also pointed out the need for additional financial resources to support core activities by the Convention Secretariat. Small amounts of contributions and participation by a handful of countries in an innovative financing mechanism can greatly contribute to the meagre funding of the Secretariat for its core activities or for joint activities with pertinent multilateral agencies that have the greatest potential to promote multisectoral collaboration like the UNDP, WCO and FAO. In many cases, the amounts are not so substantial to merit a whole mechanism but it can promise a stable stream of funding. FCTC parties should also be encouraged to seek assistance from these multilateral agencies in undertaking tobacco control activities, such as requesting the FAOs support to promote alternative livelihood for farmers.

¹⁶⁰ WHO FCTC (2005), *supra*, note 35, Art. 26.

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ANNEX A

Survey Report

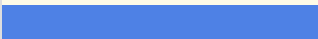

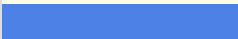



1. I have read, understood, and printed a copy of, the above consent form and desire of my own free will to participate in this survey.

#	Answer		Response	%
1	Yes		17	100%
2	No		0	0%
	Total		17	100%

2. Country/Organization represented

Text Response
Tanzania, Ministry of Health and Social Welfare
Mauritanie
GABON
Ministry of Health in Suriname
Namibia
Gambia
Costa Rica
PANAMA. MINISTERIO DE SALUD
Cameroun
Bureau of Tobacco Control, Department of Disease Control, Ministry of Public Health, Thailand
Georgia/National Center for Disease Control and Public Health
Turkey
National Center for Health Promotion, Department of Health, Republic of the Philippines
BHUTAN/BHUTAN NARCOTIC CONTROL AGENCY, TOBACCO CONTROL BOARD
CONGO/MINISTERE DE LA SAANTE ET DE LA POPULATION
MINISTERIO DE SALUD Y DEPORTES DE BOLIVIA
Ministry of Health, Funafuti. TUVALU
I.R.IRAN, MINISTRY OF HEALTH AND MEDICAL EDUCATION

3. Current Level of Participation in Tobacco Control. Please click each statement that correctly applies to you.

#	Answer		Response	%
1	I am a tobacco control focal person		12	67%
2	I belong to the office/ unit that focuses on tobacco control. Please indicate the approximate number of people working in this office		12	67%
3	My functions include preparing or reviewing budgets/expenses relating to tobacco control program/s		9	50%
4	I have been a delegate to and participated at the COP		13	72%
5	I have been a delegate to and participated at the working groups of the COP		11	61%
6	I have participated in the Committee B discussions of the COP or other international meetings		9	50%

I belong to the office/ unit that focuses on tobacco control. Please indicate the approximate number of people working in this office

4

2

N/A

5

46

10

7, 4 permanent (part time), 3 contractual positions (full time)


20

2


3

3

4. Does your office keep track of spending on tobacco control?

#	Answer		Response	%
1	Yes		9	60%
2	No		6	40%
	Total		15	100%

5. Is the data on amounts spent on tobacco control publicly available? If yes, where/how can this be accessed?

#	Answer		Response	%
1	Yes		7	47%
2	No		8	53%
	Total		15	100%

Yes

dans la loi des Finances du Pays

Loi de finance de l'Etat Gabonais

It is in the budget of State Health Promotion Programme. available by the request at the NCDC
subsumed in budget of National Center for Health Promotion

From the NFP, health department

In case having interview with official authorities it would be accessible to public through the
newspapers, internet or other public medias

6. Please list the areas of tobacco control that consumes a significant portion of the budget. Please indicate the source of funds for the priority areas funded. Please indicate if the funds are from regular budget, or external, extra-budgetary sources such as grants from WHO or philanthropic organizations or other sources.

Default - Area 1	
Source of Funds	Estimated Amount / Percent of Budget
Etat	4700 000 UM Soit 15 000 US\$/ an
GRN	37
WHO	\$1000
Annual government budget and 2% of Tobacco and Alcohol TAX from Thai Health Promotion Foundation	xxxxxxx
part of the health promotion state programme	5-10%
Regular budget	P10M / 14%
WHO/RGoB	20%
OMS et gouvernement(les montants sont tellement minimes qu'on ne peut pas parler en terme des pourcentage pour ce qui concerne le budget de l'etat et pour l'OMS souvent c'est la programmation)	
Regular budget, external & extra-budgetary sources	need clarification
regular, external, extra-budgetary sources	35%
Default - Area 2	
Source of Funds	Estimated Amount / Percent of Budget
0	
Annual government budget and 2% of Tobacco and Alcohol TAX from Thai Health Promotion Foundation	xxxxxxx
Regular budget	P1M/ 1.14%
WHO/RGoB	20%
Regular budget & extra-budgetary sources	need clarification
regular, external	25%
Default - Area 3	
Source of Funds	Estimated Amount / Percent of Budget
CLATA	3 000 US\$
same source of funds	xxxxxxx
Bloomberg Philanthropies	P6.3M
WHO/RGoB	20%
External, extra-budgetary sources	need clarification
regular, external	25%
Default - Area 4	
Source of Funds	Estimated Amount / Percent of Budget
CLATA	4 000 US\$
same source of funds	xxxxxxx
Regular Budget	P .5 M / .58%
WHO/RGoB	20%
External & extra-budgetary source	need clarification
regular, external	10%
Default - Area 5	

Source of Funds	Estimated Amount / Percent of Budget
CLATA	13 900 US\$
same source of funds	xxxxxxx
Regular Budget	P.5 M /.58%
WHO/RGoB	20%
External & extra-budgetary source	need clarification
regular, external, extra-budgetary sources	5%

Area 1	Area 2	Area 3	Area 4	Area 5
Fonctionnement du Programme National de Lutte antitabac	Sevrage Tabagique	Recherche/Suivi & Monitoring	Renforcement des Capacités/Formation/ Equipement	Legislation/reglementation
Awareness Days				
Commemoration of World No-Tobacco day				
Raise public awareness through anti-smoking campaign	Smoke free projects/ activities	Research	Law enforcement	Capacity building manpower in Tobacco Control
Education and Communication				
Implementation of Smoke Free Policy	Tobacco Control Policy Advocacy	Assistance in the Initial Implementation of the 2011-2016 National Tobacco Control Strategy (Boosting the NCTS Implementation)	Building Alliances	Awareness campaigns
Law Enforcement Training	Public awareness and advocacy including education	Development of IEC Materials	Regulatory Initiatives	Media advertisement., Meeting and workshops
Campagne de sensibilisation(celebration des journees mondiales sans tabac)				
FCTC	Awareness & Outreach Program	WNTD	GTCR & other surveys/studies	TFI
Education, cultural, training-awareness raising	Fighting against illicit tobacco trade/smuggling	Treatment of tobacco related diseases	Tobacco cessation-consultation program	Tobacco monitoring/ research

7. Does the current year's (2013) budget/ proposed budget reflect an increase from the previous year's (2012) budget for tobacco control?

#	Answer		Response	%
1	Yes		5	33%
2	No		5	33%
3	I do not know		5	33%
	Total		15	100%

8. Were all the tobacco control items or activities proposed for the past year (2012) funded?

#	Answer		Response	%
1	Yes		4	27%
2	No		11	73%
3	I do not know		0	0%
	Total		15	100%

9. Does tobacco control spending (exclusive to tobacco control) constitute a significant portion (>10%) of the budget on non-communicable diseases? If yes, please indicate the approximate percentage of NCD budget.

#	Answer		Response	%
1	Yes		3	20%
2	No		7	47%
3	I do not know		5	33%
	Total		15	100%

10. I believe additional funding could improve tobacco control implementation in my country.

#	Answer		Response	%
1	Strongly Agree		13	87%
2	Agree		0	0%
3	Neither Agree nor Disagree		2	13%
4	Disagree		0	0%
5	Strongly Disagree		0	0%
	Total		15	100%

11. Do you think it is important that the following areas of country-level implementation of the FCTC are better served ? If you consider it to be “very important” or “important”, do you think this requires additional funding?


#	Question	Very Important	Important	Neutral	Not Important	Important but does not require additional funding. You may click this even after clicking “important or very important”	Total Responses
1	Law enforcement	14	1	0	0	3	18
2	Awareness campaigns	12	3	0	0	2	17
3	Regulatory initiatives (policy advocacy and consultations)	10	4	0	0	3	17
4	Alternative livelihood	2	9	2	1	2	16
5	Research (Opinion polls, impact assessment)	7	7	1	0	2	17
6	Capacity building	11	4	0	0	2	17
7	Legal assistance (policy drafting, litigation)	7	6	0	0	3	16
8	Building alliances with stakeholders such as CSOs and academe	5	8	0	0	3	16
9	Outreach to other government agencies	7	6	1	0	4	18
10	Others	3	0	0	0	0	3

Others
Sevrage Tabagique
Churches, Traditional Authorities
Creating/establishing Smoke free settings
Community Involvement
OPS

12. If known, please indicate funding estimated to be required or needed on an annual basis (gross or per capita). Place X if this has not been estimated.

Law Enforcement	Awareness campaigns	Regulatory initiatives (policy advocacy and consultations)	Alternative livelihood	Research (Opinion polls, impact assessment)	Capacity building	Legal assistance (policy drafting, litigation)	Building alliances with stakeholders such as CSO and academe	Outreach to other government agencies	Others
X	X	X	X	X			X	X	
20000\$	20000 \$	10000\$	x	15000 \$	20000 \$	15000\$	20000\$	5000\$	
x	200 000	x	x	x	x	x	x	x	x
x	x	x	x	x	x	x	x	x	x
x	x	x	x	x	x	x	x	x	x
500000	35000 0	x	x	30000 0	30000 0	x	x	x	
P 10M X	P 100M (P1/capita)	P 5 M X	P 5 M X	P 10 M X	P 5 M X	P 5M X	P 5 M		at least 7 M/ year till 2020
X	X	X	X	X	X	X	X	X	X
x	x	x		x	x	x	x	x	
X	X	X	X	X	X	X	X	X	
need clarification	need clarification	need clarification	need clarification	need clarification	need clarification	need clarification	need clarification	need clarification	
X	X	X	X	X	X	X	X	X	
	100 000 US \$	50 000 US\$	200 000 US \$	150 000 US \$	75 000 US\$	50 000 US	40 000 US\$	10 000 US\$	Sevra ge Tabag ique: 60 000 US\$
	USD 1.200. 000	USD 100.000		USD 200.00 0	USD 80.000		USD 60.000	USD 50.000	

13. Do you believe that international cooperation will support domestic implementation of the treaty?

#	Answer		Response	%
1	Yes		13	93%
2	No		1	7%
3	I do not know		0	0%
	Total		14	100%

14. In your view, which potential areas of international cooperation are important to support tobacco control implementation at the domestic level?

#	Question	Very important	Important	Neutral	Not important	Total Responses	Mean
1	Technical Assistance to Developing Countries (by other parties, WHO or secretariat) (Art 22)	11	3	0	0	14	1.21
2	Financial Assistance to Developing Countries (by other parties, WHO or secretariat) (Art 5.6)	9	3	0	1	13	1.46
3	Development of Additional Procedures, Guidelines and Protocols in General (Art 5.4)	6	7	1	0	14	1.64
4	Development of a specific Protocol/ Guideline: Specify:	6	3	1	1	11	1.73
5	Facilitate Exchange of Information in General (Art 21)	4	8	1	0	13	1.77
6	Facilitate Exchange of Information: Specify, e.g. Art. 19 (liability), Art.11 (product packaging), Art 5.3 (tobacco industry interference).	8	5	0	0	13	1.38

7	Financial Support for Economically Viable Alternatives (Art 26)	7	4	1	1	13	1.69
8	Establishment of a Voluntary Global Fund or other appropriate Financing Mechanisms (Art 26.5d)	8	4	1	0	13	1.46
9	Cooperation to raise financial resources (Art 5.6)	7	5	0	0	12	1.42
10	Others	2	3	0	0	5	1.60

Development of a specific Protocol/ Guideline: Specify:	Others
Cessation Programmes	
5.3;13	
packaging and labelling	Recognition of best practices
Commentaries on the national legislations and guidelines in national dialect	
	Etudes et recherche

Others
1
2
1.60
0.30
0.55
5

15. Do you believe that international cooperation among various international bodies will promote in-country collaboration and support domestic implementation of the treaty?

#	Answer	Response	%
1	Yes	13	100%
2	No	0	0%
3	I do not know	0	0%
	Total	13	100%

16. In your view, which potential areas of international cooperation are important to support tobacco control implementation at the domestic level?

#	Question	Very important	Unimportant	Neutral	Not important	Total Responses	Mean
1	Illicit Trade: e.g. Joint Activities with WCO/interpol on Programs to reduce Illicit Trade e.g. Surveillance and Seizure	10	3	1	0	14	1.36
2	Trade: e.g. Joint Activities with WTO to assess the negative impact of freer tobacco trade	11	2	1	0	14	1.29
3	Investment: e.g. Joint Activities with UNCTAD to monitor and evaluate investment of top tobacco transnationals	11	2	1	0	14	1.29
4	Economics: e.g. Joint Research with WB on negative economic impact of tobacco	9	3	2	0	14	1.50
5	Finance: e.g. Work with WB or ADB to promote financing programs for alternative livelihood or include tobacco control as a condition to loans	6	4	4	0	14	1.86
6	Women/Children/Marginal Sectors: e.g. Joint Program with CEDAW or CRC to promote tobacco control	6	6	2	0	14	1.71

7	MDG's/ NCD's: e.g. Joint intergovernmental initiatives such as WHO's on addressing NCD's and reaching MDG's	11	2	1	0	14	1.29
8	Human Rights: e.g. Joint activities with CHR or other regional human rights panels to promote WHO FCTC	8	2	3	0	13	1.62
9	Anti-Corruption/ Transparency: e.g. Joint transparency initiatives of WB, UNCAC, or other entities to promote Art 5.3 (Tobacco Industry Interference) and Art 19 (Liability)	8	5	1	0	14	1.50
10	Agriculture: e.g. Joint activities with FAO to promote alternative livelihood for tobacco farmers	8	2	4	0	14	1.71
11	Labor e.g. Joint activities with ILO to promote alternative livelihood for tobacco farmers or reduce child labor in tobacco farming	9	1	4	0	14	1.64

12	Innovative Financing Mechanisms for Development: e.g. collaboration or link with the Leading Group and International Health Partnership's Task Force on Innovative Financing for Health	9	3	2	0	14	1.50
13	Innovative Financing Mechanisms for Health: e.g. collaboration with WHO's initiative and consultations on innovative financing for health systems and R&D	10	3	1	0	14	1.36
14	Regional Activities (activities to be undertaken with regional intergovernmental organizations, e.g. Smoke free initiatives with the Asean focal points on tobacco) Please specify the organization and possible activities:	11	2	1	0	14	1.29
15	Activities to be undertaken with other intergovernmental organizations (e.g., South Centre, OECD, etc.)	7	4	1	0	12	1.50
16	Others (specify):	1	3	2	0	6	2.17

Regional Activities (activities to be undertaken with regional intergovernmental organizations, e.g. Smoke free initiatives with the Asean focal points on tobacco) Please specify the organization and possible activities:	Others (specify):
ACTA	
Traditional Authority : awareness creating, capacity building etc	Capacity building, social mobilization
with ASEAN and MoF on Tax and illicit trade, With Mo Trade/Commerce and Mo Foreign Affair on international trade agreement	
1.ASEAN (& SEATCA) Recognition and scaling up of Smoke free Initiatives	2. TA to improve/upgrade regulatory (labelling and packaging, etc) functions of countries

Innovative Financing Mechanisms for Health: e.g. collaboration with WHO's initiative and consultations on innovative financing for health systems and R&D	Regional Activities (activities to be undertaken with regional intergovernmental organizations, e.g. Smoke free initiatives with the Asean focal points on tobacco) Please specify the organization and possible activities:	Activities to be undertaken with other intergovernmental organizations (e.g., South Centre, OECD, etc.)	Others (specify):
1	1	1	1
3	3	3	3
1.36	1.29	1.50	2.17
0.40	0.37	0.45	0.57
0.63	0.61	0.67	0.75
14	14	12	6

17. In your view, which features of an innovative financing mechanism could be considered important for tobacco control financing?

#	Question	Very important	Important	Neutral	Not important	Total Responses	Mean
1	Promotes additional or new funds instead of merely reallocating funds or tapping existing resources (e.g. ODA, UNDAF)	8	4	0	0	12	1.33
2	Does not promote new or additional funds but taps on/ attempts to explore or access existing mechanisms (despite risk that resources may not be available)	0	6	1	3	10	2.70

Statistic	Promotes additional or new funds instead of merely reallocating funds or tapping existing resources (e.g. ODA, UNDAF)	Does not promote new or additional funds but taps on/ attempts to explore or access existing mechanisms (despite risk that resources may not be available)
Min Value	1	2
Max Value	2	4
Mean	1.33	2.70
Variance	0.24	0.90
Standard Deviation	0.49	0.95
Total Responses	12	10

18. In your view, which features of an innovative financing mechanism could be considered important for tobacco control financing?

#	Question	Very important	Important	Neutral	Not important	Total Responses	Mean
1	Arms Trade	4	2	3	2	11	2.27
2	Alcohol	6	4	1	1	12	1.75
3	Airline	2	6	2	1	11	2.18
4	Carbon Emissions	3	5	2	1	11	2.09
5	Financial Transactions	3	4	2	2	11	2.27
6	Others	1	0	0	1	2	2.50
7	Imposes a burden on the tobacco industry	10	1	0	0	11	1.09
8	Encourages private sector (corporations, private persons) participation by voluntary contributions	6	3	2	0	11	1.64
9	Encourages private sector participation by mandatory contributions	4	4	3	0	11	1.91
10	Imposes a burden on the consumer for a specific activity (air travel, buying luxury items)	2	5	4	0	11	2.18
11	Initiatives by Government: Related to government bonds (e.g. Advances funds that are guaranteed by government bonds)	3	5	3	0	11	2.00
12	Initiatives by donor institutions and countries: Related to debt reduction strategies (e.g. Amount of government investment on tobacco control will result in a proportionate reduction in government debt)	4	5	2	0	11	1.82
13	Burden must be shared by all countries	2	5	4	0	11	2.18

15	Burden must be shared by a few counties that have high smoking prevalence	1	4	4	1	10	2.50
16	Burden must be shared by countries that have low smoking prevalence	0	1	8	1	10	3.00
17	Burden must be shared by high income countries	3	4	2	1	10	2.10
18	Burden must be shared by low income countries	0	0	8	1	9	3.11
19	Burden must be shared by middle income countries	0	1	6	1	8	3.00
20	Burden must be shared by the home country of multinational tobacco companies	4	5	1	0	10	1.70
21	Burden must be shared by tobacco producing/exporting country	3	5	2	0	10	1.90
22	Burden must be shared by tobacco importing country	2	4	3	1	10	2.30

Others

Tourism

19. In your view, which features of an innovative financing mechanism could be considered important for tobacco control financing?

#	Question	Very important	Important	Neutral	Not important	Total Responses	Mean
1	Incentivizes healthy behavior (no smoking, healthy eating)	9	3	0	0	12	1.25
2	Increases the price of tobacco products	11	1	0	0	12	1.08
3	Increases the price of other unhealthy products. Specify:	7	4	1	0	12	1.50
4	Other features	1	1	0	0	2	1.50

Increases the price of other unhealthy products. Specify:	Other features
Produits salé, sucrés, avec une haute teneur en graisse saturées..	
Alcool	
Alcohol beverage products	
alcohol, soft drinks with sugar	
1. high cholesterol, high salt, high sugar products (processed and in food establishments) 2. harmful use of alcohol	international consensus on food labelling
voir la vente des produits alimentaires avaries	

20. In your view, which uses of an innovative financing mechanism could be considered important for tobacco control financing?

#	Question	Very important	Important	Neutral	Not important	Total Responses	Mean
1	Funds collected by own country to contribute exclusively to domestic tobacco control	9	2	1	0	12	1.33
2	Funds collected by own country to contribute partly to international funds for tobacco control	3	5	2	0	10	1.90
3	Funds collected by own country to contribute to NCD prevention	7	4	1	0	12	1.50
4	Funds collected by own country to contribute to other domestic activity (specify):	2	2	4	0	8	2.25

Funds collected by own country to contribute to other domestic activity (specify):

Commerce illicite du tabac

Child and Adolescent psychosocial development

1. improve infrastructure for more physical activity areas 2. improve regulatory functions for tobacco control and NCDs 3. funds for Health Promotion (health and other sectors)

21. In your view, which uses of an innovative financing mechanism could be considered important for tobacco control financing?

#	Question	Very important	Important	Neutral	Not important	Total Responses	Mean
1	Funds collected by other select countries (e.g. high income) to contribute exclusively to recipient country's domestic tobacco control	7	4	1	0	12	1.50
2	Funds collected by other select countries to contribute to international funds for tobacco control	8	3	1	0	12	1.42

22. In your view, which uses of an innovative financing mechanism could be considered important for tobacco control financing?

#	Question	Very important	Important	Neutral	Not important	Total Responses	Mean
1	Contributed to global fund without specification of specific, narrowly defined use at the domestic level (e.g. Contribute to global fund where the use will be determined at a later time by countries in need of assistance)	2	6	3	1	12	2.25
2	Contributed to global fund with specification of specific, narrowly defined use at the domestic level (e.g. Contribute to global fund where the use will be only for domestic tobacco tax policy advocacy with provisions for sustainable health promotion funds)	3	4	4	1	12	2.25

3	Contributed to a global fund with very specific identification and limitation of use (e.g., only for international cooperation activities such as projects with WCO or CEDAW, only for development of a Protocol on cross border advertising, only for the development of Guidelines on Alternative Livelihood) Specify if there is a preference:	2	5	4	0	11	2.18
4	Contributed to a global fund without very specific identification and limitation of use (e.g., continuation and sustainability of the work that is being done by the Secretariat and the subsidiary bodies)	2	2	6	0	10	2.40

Contributed to a global fund with very specific identification and limitation of use (e.g., only for international cooperation activities such as projects with WCO or CEDAW, only for development of a Protocol on cross border advertising, only for the development of Guidelines on Alternative Livelihood) Specify if there is a preference:

23. In your view, which uses of an innovative financing mechanism could be considered important for tobacco control financing?

#	Question	Very important	Important	Neutral	Not important	Total Responses	Mean
1	Provides incremental funding to existing local tobacco control initiatives	9	3	0	0	12	1.25
2	Adds incremental funding to the existing budget for the FCTC Secretariat (to augment voluntary assessed contributions)	8	4	0	0	12	1.33
3	Provides incremental funding to existing initiatives that may support FCTC implementation (e.g., additional support for WCO's existing project on curbing tobacco smuggling, support to strengthen ILO's existing initiative against child labor in tobacco)	9	3	0	0	12	1.25
4	Focus on means to globally reduce the cost of or improve procurement of Nicotine Replacement Therapy (e.g. drug purchase facility)	6	5	0	1	12	1.67

5	Focus on grants for tobacco control advocacy	7	4	1	0	12	1.50
6	Focus on means to globally support the alternative livelihood of tobacco farmers/ workers (e.g. funding for alternative agricultural projects, in-country research on alternative livelihood)	6	3	2	0	11	1.64
7	Others (specify):	2	1	0	0	3	1.33

Others (specify):

24. In your view, which forms of governing structure would be most reliable to manage/ administer innovative financing mechanisms for tobacco control:

#	Question	Very Reliable	Reliable	Neutral / No opinion	Not Reliable	Total Responses	Mean
1	Traditional structures or International Organizations (e.g. WHO-administered fund)	4	5	2	0	11	1.82
2	Inter-governmental / multilateral Bodies or Organizations established for the specific purpose of fund management (e.g. COP or subsidiary body administered fund)	5	4	2	0	11	1.73
3	Independent Structures involving non-state actors such as Global Private-Public Partnerships (e.g. Global fund which is a separate legal entity which involves non-state actors)	5	4	3	0	12	1.83
4	Others	0	0	1	0	1	3.00

Others

25. Do you have any clarification, correction or comment on any response that you have given to the questions in this survey?

Text Response
Les estimation budgetaires sont faite pour une durée de 2 ans, à partir de 2013, selon notre plan
Non
NO
-
information provided in the survey is based on the current tobacco control situation in Georgia. In March 2013 State Tobacco Control Committee was approved chaired by the Prime Minister of Georgia. Deputy chair of the Committee is the Minister of Labour, Health and Social Affairs and members are 9 other ministers. The main goal of the Committee is to elaborate tobacco control strategy and action plan and legislative changes in the relevant laws. Tobacco State programme will be implemented from second half of 2013, which already has defined budget for 3 years.
Since in Bhutan, tobacco control is looked after by the Bhutan Narcotic Control Agency which is independent of Ministry of Health, we have no idea on the budget allocation between NCD and Tobacco Control. Further, on the alternative farming, Bhutan has not cultivation or harvesting of any tobacco plants as it is prohibited by law, these areas are insignificant to Bhutan. Further, in Bhutan Ministry of Health is only a partner agency in the implementation of only few provisions of the tobacco control laws in the areas of observing World No Tobacco Day and cessation measures. The Budget still needs to raised by BNCA.
non sauf vous proposez que s'il y a des eclaircissements a faire n'oubliez pas de rappeler toujours la reponse anterieure. merci

26. consent

Value	Total
1	18

ANNEX B

Target List of Respondents: Countries (Survey and Key Informant Interview)

Country	Region	Key Tobacco Producing (P)	Active at COP (A)	WG on Sustainable Measures to Strengthen Implementation of the WHO FCTC - Member (W)	Donor (D)	WG - Article 6 (X)	Survey (S) / KII (K)
Australia	WPRO		A	W	D	X	K
Algeria	AFRO	P		W			S
Barbados	AMRO			W			S
Bhutan	SEARO						S
Bolivia	AMRO			W		X	S
Brazil	AMRO	P	A	W			S; K
Burkina Faso	AFRO			W		X	S
Cameroon	AFRO			W			S
Canada	AMRO	P	A	W	D	X	K
Chad	AFRO			W		X	S
Congo	AFRO		A	W			S
Cook Islands	WPRO			W		X	S
Costa Rica	AMRO			W		X	S
Egypt	EMRO						S
European Union	EURO		A	W	D	X	K
Finland	EURO				D		K
France	EURO				D		K
Gabon	AFRO						S
The Gambia	AFRO						S
Georgia	EURO			W		X	S
Ghana	AFRO	P	A				S
Guyana	AMRO						S
Honduras	AMRO	P		W		X	S
India	SEARO	P	A	W		X	S; K
Iran	EMRO	P	A				S
Kenya	AFRO					X	S
Maldives	SEARO		A	W			S
Mauritania	AFRO						S
Namibia	AFRO						S
New Zealand	WPRO		A		D		K
Nicaragua	AMRO					X	S
Norway	EURO				D		K
Oman	EMRO					X	S
Pakistan	EMRO	P		W		X	S
Palau	WPRO						S
Panama	AMRO					X	S
Philippines	WPRO			W		X	S
South Africa	AFRO	P	A			X	S
Suriname	AMRO						S
Tanzania	AFRO	P	A	W			S
Thailand	SEARO	P	A	W		X	S
Turkey	EU	P				X	S
Tuvalu	AMRO						S
Uruguay	AMRO			W			S

Annex C

Potential Innovative Financing for the Implementation of the WHO Framework Convention on Tobacco Control

Background

Under Article 26 of the FCTC, financial mechanisms of assistance are projected to support developing nation's efforts in meeting treaty obligations. The said provision also recognized the possibility that the Conference of the Parties (COP) may "establish a voluntary global fund or other appropriate financial mechanisms to channel additional financial resources, as needed, to developing country Parties and Parties with economies in transition to assist them in meeting the objectives of the Convention. However, a financial mechanism mandated under Article 26 is yet to be established.

The Convention Secretariat reported that it has been

- promoting access to available resources and mechanisms of assistance and
- providing support through needs assessment, assistance in project development and in the development of proposals for funding

At COP5, the Convention Secretariat submitted a review of progress in the mobilization of resources and the performance of the mechanisms of assistance to support implementation of the WHO FCTC. It urged Parties to provide resources and contribute to implementation assistance and to encourage the Convention Secretariat to continue to play its coordinating role, in cooperation with the relevant departments and offices of WHO, in facilitating support by relevant stakeholders and development partners for implementation of the Convention; It also urged Parties to request stakeholders and development partners to take into account the "needs based" approach in the provision of such assistance.

In response, the COP 5 established a working group and mandated it, among others:

- to identify and recommend best practices to access international resources for tobacco control through bilateral and multilateral cooperation and other opportunities in development cooperation
- to provide recommendations on how to promote the WHO FCTC in wider international fora

Research Objectives

The South Centre, with support from the IDRC, Canada is undertaking a study to identify innovative solutions to fill the funding gaps in the implementation of the WHO FCTC. The objective of this research is

- to estimate the scale of the financing needed,
- to identify some of the potential sources of financing and
- to provide an indication for what is perceived as the best use and governance of such additional funds

The outcome of the research could support the working group's mandate "to identify and recommend best practices to access international resources for tobacco control."

General Methodology

In order to determine the **scale of financing** required, the South Centre research team undertook a review of the needs assessment through reports of the Parties to the FCTC as submitted to the FCTC Secretariat. It also took into consideration the Secretariat's budget reports to the COP as well as funding analysis relating to tobacco control in various publications. Surveys and key informant interviews will supplement and verify the information gathered from party reports and assist in determining areas of priority that are viewed to be underfunded.

In order to determine the **potential sources of additional funds** for tobacco control, the team reviewed various types of innovative financing mechanisms for development and classified these in broader terms for purposes of focusing discussions on general principles and preferred/ feasible features of mechanisms. The outcome was the identification of **four categories for potential sources of innovative financing** that may generate new and additional funds (as opposed to substituting existing aid or grants or facilitating existing mechanisms).

Source of Funds

- A. Taxes / Charges / Fees from Tobacco Source (e.g. Proposed Tobacco Repatriation Tax, Tobacco Excise Tax, Proposed Tobacco Solidarity Levy)
- B. Taxes/ Charges/ Fees from Non Tobacco Source (e.g. Airline ticket levy)
- C. Voluntary contributions from consumer activities (e.g. Product Red)
- D. Loan Arrangements & Sovereign Debts Instruments/ Bonds (e.g. Diaspora Bonds)

The review of literature also assisted the team in identifying **three typical types of structures** for financing mechanisms which allows for the channelling of funds which may come from both the public and private/ semi-private sector.

Global Financing Mechanism Structures

- A. administered by an existing international organization such as the WHO
- B. established and administered partly by parties to a treaty to support treaty implementation (e.g. GEF)
- C. involve partnerships among stakeholders including state and non-state actors (e.g. Global Fund)

Surveys and key informant interviews will be conducted to determine the respondents' preference as to the potential source, structures, and other attributes of innovative financing to be considered. Experts will be interviewed to inform the research on the feasibility of the existing types of financing mechanisms and governing structures.

Questionnaire for Focal Points

After a briefing on the current funding gap in tobacco control, focal persons on tobacco control will be asked to fill up questionnaires relating to their projected needs and priorities for tobacco control. Key informant interviews in both government and non-government sector will be used to supplement these findings.

The research team will also conduct key informant interviews with qualified persons from the finance department and other experts that have experience participating in innovative finance discussions. This will assist in assessing the feasibility of specific forms of financing mechanisms as well as validate existing literature on the matter.

Countries are chosen based on the level of their participation at the COP in general, and in their interest in the working group on financing mechanisms (Working Group on Sustainable Resources for FCTC Implementation)

The research output will be distributed to stakeholders *and published by South Centre*.

Confidentiality of the Key Informant Interview

The information provided by you in this Key Informant Interview will be used only for research purposes. It will not be used in a manner which would allow identification of your individual responses without your permission. All information obtained in this study will be kept strictly confidential and anonymous. Access to the research dataset will be exclusively limited within the research team, though the data will be used in our research findings, presentations and publications.

Analytical Note for Interview Briefing

Analytical Note: Financing Mechanisms for Treaty Implementation⁺

I. Introduction: Financial Support for Treaty Implementation

Framework Convention on Tobacco Control (FCTC) implementation involves supporting implementation of the treaty at both the country and global level. The national governments need to support its own tobacco control programs (**national level implementation**) and at the same time, contribute to treaty operations (**international level interventions**) through financial contributions (i.e., voluntary assessed contributions and voluntary extrabudgetary contributions), to global reporting, surveillance, technical cooperation, exchange of information, etc. Another form of financial support related to treaty implementation has been identified: **Impact costs** that will disproportionately fall on some parties owing to the implementation of the treaty such as the cost of shifting to alternative livelihood.ⁱ

In the spirit of international cooperation, parties should assist others particularly developing parties to achieve the treaty objectives. The FCTC calls on all parties to “**mobilize all relevant potential and existing resources**, financial, technical, or otherwise, both public and private that are available for tobacco control activities, **to assist Parties in meeting their obligations** under the Convention, especially developing countries and countries with economies in transition.”ⁱⁱ

Financial support for treaty implementation can be generated by **tapping existing funds** or dedicating resources by establishing **a global fund for which funding can from assessed or voluntary contributionsⁱⁱⁱ from specified or unspecified sources.**

II. National Implementation of Tobacco Control Programs^{iv}

A. Assessing the Need: Cost of Implementation in Developing Nations

The FCTC parties acknowledge “that tobacco control at all levels and particularly in developing countries and in countries with economies in transition requires sufficient financial and technical resources commensurate with the current and projected need for tobacco control activities;”^v Lack of sufficient funding will affect a Parties’ capacity to meet the obligations under the treaty.^{vi}

In 2006, Chaloupka et al. estimated that developing countries would need between **US\$6 billion and US\$18 billion** to implement cost effective interventions in tobacco control, price increases, and nicotine replacement therapy (NRT).^{vii}

	Cost of Price Increase ^{viii}	Cost of NRT	Total
2006 Estimate Low Range	\$1.256B	\$4.911B	\$6.167B
2006 Estimage High Range	\$3.138B	\$15.686B	\$18.824B

In a 2011 publication on Scaling up Action against non-communicable diseases (NCDs), WHO identified four population based demand reduction measures as “best buys” or cost-effective investments with the highest impact in reducing tobacco consumption: enforcing smoke free policies, raising tobacco taxes, mandating package warnings, imposing advertising bans.^{ix}

Including overall programme management and media support, the average annual cost of these interventions in all middle and low income countries is projected at an average of **US\$0.11 per capita** (low of \$.05 for low-income countries and high of \$.15 in upper middle income countries) or a gross estimate of **US\$620,120,015** for the 5.6 billion population concerned; this amount includes expense for human resources, training, meetings, mass media, supplies and equipment, and other programme costs.^x The projected amount is not expected to decline or increase since a constant investment is needed to develop the policies and maintain a comprehensive level of enforcement.^{xi}

It bears stressing that “impact costs” such as support in relation to alternative livelihoods for tobacco growers and workers as well as legal costs to counter tobacco industry interference and lawsuits are not included in these estimates.

B. Current Funding for Tobacco Control in Developing Countries

In 2011, WHO reported, based on less than 51 countries with available data from 2007 and 2010, that low income governments spend \$.001 per capita on tobacco control while middle income government spend \$.013 per capita on the same. The report states that 97% of the US\$1 billion spent on tobacco control by these countries are from high-income countries^{xii}. Rough estimates based on these figures show that no more than US\$65 million is spent by low to middle income countries on tobacco control.

	Based on	Total (in millions of US\$)
2006: Estimate of amount needed	Price Increase and NRT	6,167 -18,824
2011: Estimate of amount needed	4 cost-effective interventions	620
2011: Estimate of amount actually spent on tobacco control	Overall tobacco control by developing countries	< 65
	Overall tobacco control by all countries	1,000
Estimate for Country Level: <i>Developing Countries</i>	Expenditure as a percentage of needs for 4 interventions	1-10%
<i>ALL Countries</i>	Expenditure as a percentage of Needs	5-17%
2010-11: Actual Budget of the FCTC		12.988
Development Assistance	All forms	240

Actual data relating to needs remain insufficient. In 2007, COP-2 determined that needs assessment was necessary to further determine the financing required for the parties to implement the treaty.^{xiii} The Secretariat subsequently conducted needs assessment in up to 30 developing countries but only one party has allowed such report to be publicized.^{xiv}

C. Impact Costs: Alternative Livelihood, Trade and Litigation

Thus far, there has been no estimate, either in actual or projected terms, of the amount spent by governments as “impact costs” or economic costs of implementing the treaty. The treaty identified one area to be alternative livelihood, specifically Art. 4.6 (Guiding Principles) states that: “The importance of technical and financial assistance to aid the economic transition of tobacco growers and workers whose livelihoods are seriously affected as a consequence of tobacco control

programmes in developing country Parties, as well as Parties with economies in transition, should be recognized and addressed in the context of nationally developed strategies for sustainable development.”^{xv}

In addition to alternative livelihood, impact of trade related tobacco industry challenges as a result of treaty implementation has yet to be quantified. The tobacco industry systematically launched trade-related challenges against tobacco control measures. This comes in the form of trade-related arguments, court cases to challenge tobacco control measures and dispute settlement proceedings against the state in the international tribunal. Costs to counter tobacco industry’s offensive include manpower costs to address the tobacco industry’s demand for information, to counter its public campaigns against tobacco control measures, legal costs of suits and arbitration, and building capacity to address such trade-related challenges. Organizations like Corporate Accountability International has enumerated the variety of tobacco industry litigation tactics but there is currently no information on the total costs of countering these tactics except for rough estimates based on anecdotal accounts such as the amount Uruguay has spent on legal fees in Philip Morris’ investor-state dispute and Australia’s estimate of the hours spent on producing documents demanded by BAT.

D. Funding for Tobacco Control/ Development Assistance

There is insufficient information from Parties to the FCTC on the total amount of development assistance that is available for tobacco control. Parties are not required to report the amount of assistance received^{xvi} and Callard estimates based on the assertions of Bloomberg Foundation and Gates Foundation, as well as the FCTC Secretariat and WHO TFI’s budget, the total is estimated to be no greater than **\$240 million in 2007-2008**.^{xvii} This may include privately sourced funds (e.g., Bloomberg Foundation and other philanthropic organizations), budget from voluntary assessed contributions for the FCTC, regular WHO budget, and possibly, assistance provided by developed countries for specific tobacco control activities.

It is not clear if the foregoing estimate includes the support that the Secretariat provides to developing countries to assist them in fulfilling treaty obligations,^{xviii} but Framework Convention Alliance reports that based on the WHO Implementation Database, 40% of developing Parties have indicated that they have received no assistance.^{xix}

E. Impact of Available Funding in Accelerating Tobacco Control

Research shows that availability of grant funds (e.g., Bloomberg Initiative) has accelerated tobacco control program implementation. For example, the Bloomberg Foundation reports that since the Bloomberg Initiative began in 2007, 21 countries have passed 100% smoke-free laws, the percentage of people protected from second-hand smoke has increased 400%, and almost four billion people worldwide are now protected by at least one of the six proven tobacco control policies.^{xx} Because it is the resource-strapped countries that are most adversely affected by the tobacco epidemic, the availability of grant funds and other forms of development assistance makes a significant difference in capacitating countries to meet some of their obligations under the treaty.

III. FCTC Implementation at International Level and International Cooperation

International cooperation including contribution to treaty activities as well as financial and technical assistance, ^{xxi} particularly to developing countries to implement tobacco control programmes is an important aspect of FCTC implementation.

A. Treaty Activities

Treaty operations are funded primarily through the voluntary assessed contributions (VACs) from Parties (69% as of 2010-11) and contributions from donor parties (18% as of 2010-11). This includes the conduct of COP sessions; preparation of protocol, guidelines and other implementation instruments; reporting arrangements under the Convention^{xxii}; provision of technical assistance to Parties in the implementation of the Convention; facilitating the exchange of information and best practices^{xxiii}; coordination with international organizations and bodies; mobilization of financial resources; and, management and administration of the WHO FCTC Secretariat as indicated in Article 23.5.^{xxiv} Conference servicing and the meeting of the Intergovernmental Negotiating Body (INBs) and COPs are some of the most costly items among the activity costs.

Treaty implementation at the global and regional level also involves work that is continuously being done by the WHO Tobacco Free Initiative (WHO TFI) such as technical assistance, capacity building, awareness raising. The WHO TFI uses its regular budget and extrabudgetary contributions from governments and entities such as philanthropic organizations like Bloomberg Foundation. WHO TFI is one of the five key partners selected by the Bloomberg Foundation to implement its global tobacco control plan. The need to align and harmonize the work of the WHO TFI on the one hand and the FCTC Secretariat on the other has been the subject of much discussion in the past COPs.

In view of the substantial voluntary contributions from private philanthropic organizations in the area of tobacco control, it will be important to explore the long-term sustainability of such mechanisms for implementation of the FCTC.

B. Financial Assistance to Developing Countries

The FCTC further contemplates supporting the financial and technical needs of developing countries to undertake activities relating to reporting and exchange of information: “The Conference of the Parties, pursuant to Articles 22 (Cooperation in the scientific, technical, and legal fields and provision of related expertise) and 26 (Financial Resources and Mechanisms of Assistance), shall consider arrangements to assist developing country Parties and Parties with economies in transition, at their request, in meeting their obligations under this Article.^{xxv}” This is currently operationalized through building capacity to undertake reporting activities, conducting needs assessment, providing a data base of existing resources, and to a limited extent, assisting in developing project proposals.

Records show that developing countries have emphasized the economic impact of tobacco control on tobacco growers and workers and sought financial assistance to address the concern and to support efforts toward economically viable alternatives to tobacco.^{xxvi} Other than the needs assessment process that could possibly quantify the pertinent impact cost, there is currently no sufficient information on the availability of financial assistance specific to this form of impact cost. Meanwhile, both the FCTC Secretariat and the WHO TFI has allocated some of its resources to providing technical assistance in relation to trade-related disputes initiated by the tobacco companies.

A. Current Funding for Treaty Operations

In the past 2 bienniums, the budget of the FCTC Secretariat has increased by approximately 14-17% while voluntary assessed contributions (VAC) increased only by 4%. Based on its recent interim performance report, the Convention Secretariat proposed a workplan budget of **US\$17.47 million for the next biennium (2013-2014) while VACs could remain at US\$9.107.**^{xxvii}

Due to the treaty's expanding needs, the VAC on its own may not be able to sustain treaty operations in the future; reliance on voluntary extrabudgetary contribution is expected. In fact, in the Secretariat's latest performance report, the EU in 2011 provided 5.2 Million euros in extrabudgetary funds for a programme that includes needs assessment and related implementation support for 30 low and middle income Parties as well as support for capacity building, international cooperation and information sharing. In addition, Australia contributed AUD900,000 to support activities of the Article 6 working group which was not covered by the VAC, to provide needs assessments and assistance to Pacific Island Parties and other developing country Parties, and to enhance the reporting system and exchange of expertise.

Should the Draft Protocol on Elimination of Illicit Trade of Tobacco be adopted, the Conference Secretariat would be expected to support the said protocol's initial activities. This is expected to place a further strain on the budget and increase the amount of extrabudgetary resources required.

It must be noted that the WHO TFI's budget has not been considered in this analysis.

Figures in millions of US dollars

Items	COP1	2006-7	COP2	2008-9	COP3	2010-11	2012-13	2013-14
	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>COP4</i>	<i>Proposed</i>
I. COP Sessions Art 24.3a	1.858	2.073	1.800	1.613	2.4	2.195	1.56	1.8
II. Reporting System inc Convention Secretariat Art 24.3 b, c, and d	2.800	0.783	1.865	0.059	1.43	.099	.455	.3
III. Coordination with relevant bodies and administrative arrangements Art 24.3e & f	1.04	.408	.98 (.4 for needs assessment)	.153	1.8	.036 ¹⁶¹	.451	.38
Assistance to Parties					2.6	.360	2.610	
IV. Elaboration of Guidelines and Protocols and other activities (Art 24.3g)	1.385	1.216	3.365 (includes INBs)	3.054 ¹⁶²	4.6 (includes INBs)	2.085	1.96	1.7
V. Management and administration (promote awareness of treaty)						.222	.22	
Total	8.010	5.063	12.96	11.051	12.840	12.988	14.902	17.47
Salary/Staff Costs		1.46 (28%)		4.613		6.128	5.942	8.026
Activity		3.01 (59%)		5.555		4.999		7.435
Program support costs 13%	.921	.58		.882		1.860	1.714	2.009
Voluntary Assessed Contributions (VAC)	8.216	7.477	8.682	9.17	8.757	8.945	9.107	
Extrabudgetary Contributions		.200		.737		2.329		
Other sources/income		.0625		.263		.570		
Beginning Balance				2.259		1.149		

¹⁶¹ Assistance to Parties in implementation is included in this figure: 359,515

¹⁶² Technical assistance to parties included in this figure: 189,108

Available Funds		7.739		12.199		12.994		
VAC as a Percent of Actual Budget		146%		83%		69%	61%	
Increase in Expenditure						17.5%	14.7%	17.2%
Increase in VACs						4%		

B. Need for Additional Budget for Treaty Operations

Limitations of Limited Funding

During COP3, the Secretariat noted that certain treaty activities and secretariat functions would be subject to the availability of extrabudgetary resources: intercountry exchanges of information and technical assistance; broader international cooperation; South-South cooperation; assistance to be provided to Parties in meeting their reporting obligations; greater engagement with the work of the United Nations Ad Hoc Interagency Task Force on Tobacco Control; and, decisions adopted by the COP with regard to resources, assistance, and international cooperation.^{xxviii} The scope of work done under these activities are naturally limited by the budget provided through extrabudgetary contributions. In some cases, the funds contributed are earmarked for specific use such as for assistance to specific countries or for INBs.

Limited funding leads to limitations in the potential for certain areas of the treaty to progress. At COP4, the additional working group on Article 6 and the expert group on cross-border advertising proposed by Committee A was not guaranteed a budget due to the restrictive budgetary climate and competing demands. While both activities appear in the workplan, the COP decided to place a footnote to indicate that the activities will be undertaken subject to the availability of extrabudgetary resources.

Not only does limited funding lead to cuts on budget for current activities, it also limits the potential to expand the work that can be done to promote treaty compliance. During COP3, India proposed the establishment of a standing compliance body for the FCTC. The budgetary implication of such a proposal is estimated at a maximum of US\$1.415 Million. Due to budget constraints at the time, there could be no opportunity to meaningfully consider and discuss the proposal.

Predictability and Stability

The lack of predictability and stability in the flow of funds tends to slow down treaty activities. In the Secretariat's Performance Report for COP5, the Secretariat noted that four tasks were partially accomplished due to the need to raise substantial extrabudgetary resources; most affected are key treaty activities mandated by COP3: needs assessments, regional workshops, agreements with international organizations, and South-to-South cooperation, all of which involved support or some form of assistance for developing countries.

C. Benefits of Additional Sources of Funds for Treaty Activities

Budgets of various treaties such as UN Framework Convention on Climate Change, Convention on Biological Diversity, UN Convention to Combat Desertification, and Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, have doubled and even tripled in a span of 10 years. The current budget of these treaties range from approximately \$20 to 50 Million. This excludes trust funds that are administered under the treaty for supplementary activities, participation, or technical cooperation.

Because more financial resources are available in these treaties, more treaty activities could be

undertaken. In the UNFCCC 2012-2013 budget for instance, the core budget of 48.5 million is devoted to programmes and secretariat operations. The Trust Fund for Supplementary Activities funds the implementation of specific programmes and provisions, conduct of workshops and other forms of capacity building in developing countries, and support for committees of the conventions and protocol. The Trust Fund for Participation in the UNFCCC Process provides, among others, support for one delegate from each eligible Party plus a second delegate from each least developed country and each small island developing State to participate in organized sessions.^{xxxix}

D. Cost of Insufficient Funding for Treaty Operations

Budget gaps lead to trade-offs where core treaty activities such as organizing the COP and subsidiary bodies are given priority. In fact, COP-3 has come to this point in trading off priorities in order to address the projected budget gap in 2008-9.^{xxx}

In addition, trade offs are also made among and within core treaty activities and this is reflected in downward adjustments for core treaty activities. For the said 2008-9 period, a total of \$7.45 Million was allocated for the 3 INBs and the intersessional meeting. Of this amount, only 1.675M (1.5M from EU and .175 from Aus) were sourced from extrabudgetary contributions; the bulk was financed through VACs. Subsequently, at COP4, savings from various budget items for the 2012-13 were accumulated to provide funding for the intersessional session of the INB in accordance with the rules of procedure^{xxxi} The following were bartered away in the course of cost-cutting:

- e. Not budgeting for 2 new working groups (Article 6 was identified, another potential article is Article 19)
- f. Not budgeting for an expert group on cross-border advertising
- g. Reduction in travel support (by harmonizing travel policies);
- h. Removal of evening sessions at the COP5;

Ultimately, VACs were used to contribute to items previously funded exclusively through extrabudgetary contributions;^{xxxii}

Because core activities (potential working group on Article 6 and expert group on cross border advertising) were foregone in favor of work related to the Illicit Trade Protocol, some parties cautioned that:^{xxxiii}

- d. The draft protocol on illicit trade should not be accorded priority over core activities under the Convention, such as assistance to low-income Parties and technical cooperation;
- e. Decisions of Committee A should be taken into account. (The approach taken at COP4 was to modify the decision of Committee A in line with the budget.)
- f. Innovative financing sources should be recognized, such as international taxes and global funds.

IV. Financial Resource Mobilization

The Parties placed upon themselves the General Obligations under Art. 5.6, to “within means and resources at their disposal, cooperate to raise financial resources for the effective implementation of the Convention through bilateral and multilateral funding mechanisms.”^{xxxiv} COP 1 and 2 decided that existing financial resources must first be tapped.^{xxxv} Accordingly, the Secretariat has listed available sources of funding to facilitate the implementation of their obligations under the Convention.^{xxxvi} To date, there is no information regarding the effectiveness or specific quantifiable amounts resulting from this exercise.

Based on COP decisions^{xxxvii}, the strategy for financing treaty operations is to ask the Secretariat to seek extrabudgetary contributions from all sources and urging Parties to provide them. On the other hand, the strategy for providing financial support for developing countries is to maximize the potential of existing funding sources through needs assessment and development of project

proposals. This also includes calling on developed parties to include support to FCTC implementation as an eligible area of bilateral assistance programmes if this can be eligible for official development assistance.^{xxxviii}

From the first to the fourth session of the COP or beginning 2006, the COP has employed the following strategy to mobilize financial resources for developing countries:

- a. called on developed country Parties, to provide support to developing parties through bilateral, regional, international or nongovernmental channels;^{xxxix}
- b. urge “developed countries, international financial institutions, international organizations and other development partners to channel resources, based on specific requests,
- c. call on developed Parties to include support to the implementation of the WHO FCTC as an eligible area of bilateral assistance programmes provided this assistance can be eligible for official development assistance (ODA);^{xl}
- d. Involve international development partners to bring the FCTC implementation within the UN Development Assistance Framework at the country level.. and strengthen collaboration^{xli}
- e. Linking needs assessment activities to accessing existing donor and development resources

From the foregoing discussion, the funding gap is still evident and there is no stable and predictable source of funds to meet the growing needs of treaty implementation at all levels. (national, international and impact costs)

A. Voluntary Global Fund

The Conference of the Parties in its first session have reviewed the existing and potential sources and mechanisms of assistance including a proposal for a global fund. Although many Parties supported the establishment of a global fund, several Parties pushed for assessing the needs and exploring existing sources of development assistance. COP 1 then decided that a needs assessment was necessary to further determine the financing required to implement the treaty.^{xlii}

Because in its decisions, COP1 assumed that existing funds through current channels would be sufficient to meet the needs of the treaty implementation, it can be said that in light of the current budget constraints in spite of efforts to mobilize resources, the need to establish a voluntary global fund or other appropriate financial mechanisms to channel additional financial resources to developing countries should be revisited.

Hence, it is timely that COP4 decided to review the progress in mobilization of resources^{xliii} and records show the possibility of a concurrent working group on treaty financing to be convened at COP5.^{xliv}

B. Innovative Funding Sources and Tobacco Control

A global fund can be generated from a variety of innovative sources and various treaty bodies and intergovernmental working groups have extensively explored the possibilities in the dire search for resources to finance global public goods such as climate change, tuberculosis, AIDS, research and development of medicines, etc. Despite the high priority attributed to tobacco control in the global fora (Resolution of the UN High Level Meeting on the NCDs, Rio Political Declaration on the Social Determinants of Health)^{xlv} and the COP’s recognition that financial support is crucial in achieving the objectives of the treaty, tobacco control funding has not made a substantial mark in these global discussions on innovative development financing.

Since the 1990s, various studies relating to innovative financing for development have emerged particularly for purposes of scaling up funding for global public initiatives, such as on climate

change, alleviation of poverty, and fighting specific diseases. Some of the options in these studies discuss tobacco taxes as a source along with taxes on alcohol, arms trade, and financial transactions.

Until recently, none of the international studies have focused on the need to channel these funds specifically to tobacco control.^{xlvi} Even in December 2010, the task force on health of the Leading Group explored innovating financing options to finance health systems with some focus on disease prevention, but not specifically for tobacco control. This is despite the fact that in 2006, a World Bank publication on Disease Control Priorities in Developing Countries already identified tobacco control as one of the best-buys in health investments. This point was further emphasized during the September 2011 UN High Level Meeting on the NCDs.

Tobacco control is one of the most effective public health interventions that is intended to curb the tobacco epidemic from which the death toll is estimated to be higher than HIV/AIDS and malaria combined. Tobacco-related deaths are 35% higher than deaths from HIV/AIDS and double that of deaths from tuberculosis. And yet the development assistance for tobacco control (\$0.25/year per smoker) is miniscule in comparison to that available for HIV AIDS (\$111/year) and Tuberculosis (\$50 per year).^{xlvi}

In 2010, WHO published “Responding to the challenge of Resource Mobilization Mechanisms for Raising Additional Domestic Resources for Health,” which enumerates potential and existing mechanisms to raise additional domestic resources for health such as financial transaction tax, levy on currency transactions, tourism and travel levies, luxury taxes, levies on mobile phone use, VAT, big corporation tax, tobacco, alcohol, and unhealthy food excise tax, VAT, diaspora bonds, selling of franchised products and general philanthropy.

Much has been written about increasing tobacco taxes to fund tobacco control or health promotion but very little has been written about financing mechanisms for the global or intergovernmental level. Other than the proposed solidarity levy on tobacco taxes for tobacco control to be discussed below, innovative funding options have not been comprehensively explored for purposes of utilization at the global or intergovernmental level, in stark contrast with other health concerns such as access to medicines, maternal and child health or communicable diseases.

A review of traditional and innovative financing mechanisms was submitted by the Secretariat to the COP1 for review. Previous to this, the Secretariat also submitted a report on the precedents for financing the implementation of the FCTC during INB6. These documents included a discussion of mechanisms in other treaties particularly environmental treaties but the records indicate that the delegates may not have had the sufficient data and technical capacity to pursue this discussion at the time.

The relatively low focus on global funding for tobacco control could also be a result of the limited appreciation of the extent of resources needed to promote international cooperation to implement the FCTC. The COP1’s call for a detailed needs assessment at the country level proves the point.^{xlvi} Needs assessment at the global level was not called for and this deprives the COP of the opportunity to identify areas of international cooperation that can progress more quickly and effectively with available funding. For instance, enforcement projects with World Customs Organization (WCO) could jumpstart implementation of Article 15 even before the adoption of the draft Protocol on Illicit Trade, establishment of a standing compliance committee may facilitate treaty compliance in developing countries, establishment of a dispute resolution mechanism that include the capacity to deal with trade expertise could entice parties to channel trade-related tobacco disputes to the FCTC arena.

Another explanation could have arisen from an impression that because most tobacco control interventions involve only a low cost investment (best-buy),^{xlix} some may have translated to an impression that it would require less funding than other public health interventions and consequently of less importance in funding discussions.

On the other hand, it is also possible that parties simply do not fully appreciate the fact that a whole range of financing options can be explored and that in other forums, the use of tobacco taxes for environmental concerns have already been tabled.

Finally, aside from the states' general apprehensions on governance concerns relating to fund administration, there is also the possibility that the capacities and international roles of the WHO TFI and the FCTC Secretariat contribute to the lack of clarity as to which entity should be entitled to be funded for global or intergovernmental implementation activities.

C. Solidarity Levy from Tobacco Taxes

At the national level, Parties currently impose various forms of tax on tobacco, the most common of which is excise tax, and some 38 parties have dedicated a certain percentage of its tobacco taxes for national health programs including tobacco control. The WHO encourages developing countries to increase tobacco taxes to mobilize more funds for health and development.¹ And the idea of a solidarity levy builds on this concept and further suggests that taxing governments can add a new tax to contribute funding to global health activities. The internationally agreed global health activities and priorities include tobacco control.

In October 2011, the WHO released a discussion paper on "The (Global) Solidarity Tobacco Contribution—A new international health-financing concept prepared by the World Health Organization," estimating that a tax increase of US\$0.05 per pack sold in G20+ countries would raise US\$7B and 30% of the revenue can be allocated to fund international health activities. The proposed tax rate would vary based on a country's economic standing: \$.03 for upper middle-income countries, \$.01 for lower middle-income countries and nothing for low income countries. In November 2011, Bill Gates, addressing the G-20, estimated that a Solidarity Tobacco Contribution may raise US\$9 billion per year for health. Both reports emphasize how tobacco taxes promote a two-prong benefit of reducing tobacco consumption as well as mobilizing substantial revenue for health. Both WHO and the Gates Report emphasized the need to address NCDs, which necessarily includes tobacco control programs.

Callard and Collishaw criticized the Solidarity Tobacco Levy for disproportionately burdening low and middle-income countries that consume more cigarettes because of the nature of the tax (consumption tax) and proposed that taxes particularly for global purposes should be based on national income or income from tobacco sales to make it more equitable.^{li}

D. Taxes on Repatriated Profits of Tobacco Multinationals

In 2011, Callard proposed a transaction tax on repatriated profits of tobacco multinationals in order to reverse the pattern where money flows from developing country smokers to tobacco corporations in the developed countries. Based on reports to stockholders, the four largest tobacco companies retained \$14Billion dollars in income net of income taxes; meanwhile estimated funding for global tobacco control is at \$240Million. Callard proposes that repatriation of such profits be taxed and the funds used for both national and global treaty implementation and urges the COP and the FCTC Secretariat to take appropriate action, particularly, to increase transboundary flow of support to tobacco control by monitoring and reporting information on the earnings of the tobacco industry and by including a discussion on how profit taxes could fund treaty implementation during the discussions on Article 6.

E. Other Financing Sources and Mechanisms

Although it seems intuitive that tobacco control should be supported with funding generated from tobacco taxes or tobacco companies such as various countries' excise tobacco tax for health promotion, Canada's 50% income tax on tobacco manufacturers and, the proposed profit tax and consumption tax for global use; there is no reason for Parties to limit the options on financing sources and mechanisms because the funding gap is relatively significant.

- a. National Implementation: The funding gap is large in both relative and absolute terms.
- b. International Implementation: Information is not sufficient to determine the scope of needs, but certain areas of treaty implementation can be accelerated with available funding and delays can be avoided through stable and predictable flows of funding.
- c. Impact Costs: Data on costs relating to alternative livelihood and trade-related litigation is not available but this can potentially be very large.

Hence, it may be worthwhile to explore other funding sources in the same way this is done for global initiatives like climate change and HIV/AIDS and Malaria. This can include nationally collected charges and taxes from both tobacco and non-tobacco sources, trust funds or financing mechanisms that encourage private sector contributions, purchasing facilities, bonds, loans, advances, debt swaps, or even sovereign debt instruments.

V. Conclusion: Role of the COP

In view of the insufficiency of resources for both treaty operations and national implementation especially in developing countries, the COP needs to focus its attention on raising incremental financing to fulfill treaty objectives. The COP has the authority and mandate to promote initiatives directed at generating incremental funding for tobacco control and treaty implementation. Innovative sources can be identified and governments can be encouraged to collect or contribute to a fund for global tobacco control objectives including funding for both treaty operations and for assistance for developing countries. For instance, it can start with collecting information from developed parties as to the types of innovative funding sources it may be willing to support, identifying areas of international work that can be accelerated, and allowing contributions to a voluntary global fund for this purpose.

Funds are not likely to be allocated for international health objectives unless there is an agreement among the international community to do so. Unlike other items on the COP's agenda, decisions on budgetary and financial matters need to be decided by consensus.^{lvi}

Hence, the COP must initiate work on options that will encourage parties to agree on contributing funding to global tobacco control objectives in accordance with well-established criteria for successful financing mechanisms: practicality, efficiency, stability and predictability, political acceptability, clearly defined objectives, equity and ownership.^{lvii}

ANNEX D

Key Informant Interviews – Target Intergovernmental Organizations, Funding Agencies and Civil Society Organizations

Organization	Type of Organization	Observer to FCTC COP (O)	Member UN Inter Agency Task Force on Tobacco Control (M)	Interview Topic
American Cancer Society	NGO			Financing for Tobacco Control; Innovative Financing
ASEAN Secretariat	Regional Organization			International Cooperation
Asian Development Bank	Regional Development Bank			International Cooperation
The Bill and Melinda Gates Foundation	Philanthropic Funding Agency			Financing for Tobacco Control; Innovative Financing
Bloomberg Philanthropies	Philanthropic Funding Agency			Financing for Tobacco Control; Innovative Financing
The Campaign for Tobacco Free Kids	NGO			Financing for Tobacco Control; Innovative Financing
Commonwealth Secretariat	IGO			International Cooperation
Secretariat of the Framework Convention on Tobacco Control	IGO		M	FCTC Implementation and financing
Framework Convention Alliance on Tobacco Control	NGO	O		Financing for Tobacco Control; Innovative Financing
Food and Agriculture Organization	IGO	O	M	International Cooperation
The Global Environment Facility	IGO			Innovative Financing
The Global Fund to Fight AIDS, Tuberculosis and Malaria	Funding Agency - International PPP			Innovative Financing
Interpol	IGO			International Cooperation
International Health Partnership's Task Force on Innovative Financing for Health	IGO Taskforce			Innovative Financing
International Labour Organization	IGO	O	M	International Cooperation
International Union against Tuberculosis and Lung Disease	NGO	O		Financing for Tobacco Control; Innovative Financing
Organization for Economic Cooperation and Development	IGO			Innovative Financing
Permanent Secretariat of the Leading Group on Innovative Financing for Development	Intergovernmental network			Innovative Financing
Physicians for a Smoke-Free Canada	NGO			Financing for Tobacco Control; Innovative Financing
The South East Asia Tobacco Control Alliance	NGO			Financing for Tobacco Control; Innovative Financing
The Secretariat of the Pacific Community	Regional Organization	O		International Cooperation
UNDP	IGO		M	International Cooperation; Innovative Financing

UNCTAD	IGO	O	M	International cooperation
UNESCO	IGO	O	M	International cooperation
UNICEF	IGO	O	M	International cooperation
UNFIP	IGO		M	International cooperation
UN OHCHR	IGO		M	International cooperation
UNODC	IGO		M	International cooperation
UNIFEM	IGO		M	International cooperation
UNITAID	International Funding Agency			Innovative Financing
World Bank	Multilateral Development Bank - IGO	O	M	International Cooperation; Innovative Financing
World Health Organization - Department of Health Systems Financing	IGO			Innovative Financing
World Health Organization - Tobacco Free Initiative	IGO		M	International Cooperation; Innovative Financing
World Customs Organization	IGO	O	M	International cooperation
World Trade Organization	IGO	O	M	International cooperation
World Intellectual Property Organization	IGO		M	International Cooperation

ANNEX E

Key Informant Interview – DISCUSSION GUIDE

I. Profile

- a. Name/ Position/ Organization
- b. What are your major responsibilities in your position?
- c. How long have you been with the organization?
- d. Do you have any direct links or working relationships with either the FCTC Secretariat, WHO TFI/ NCD, or the tobacco industry? In what capacity?

II. Tobacco Control Activities

- a. Can you tell us about your experience in relation to tobacco control while working in the organization?
- b. Are you aware of any other activities in your organization in relation to tobacco control that was undertaken in the past?
 - i. What are these activities? If none, why not?
 - ii. Are these activities still ongoing? How so? If not, Why?
 - iii. What is the outcome of these activities? What impact does it have on countries or on the institutions involved?
 1. Which countries/what type of countries benefit/s the most from these programs/ projects activities?
 2. What other entity/ organization benefits from these programs/ projects/ activities? How?
- c. **What are the challenges faced/ opportunities in undertaking the above activities/ programs/ projects?**

- d. **Would you know how much is being spent on these activities?**
 - a. **Is this information available and accessible?**
 - b. **Are there available funding for more of these activities? If none, would further funding ensure the sustainability of these activities?**
 - c. **What are the challenges faced/ best practices/ opportunities in raising funds to support tobacco control related work?**
 - d. **What else (other factors) would be needed to ensure the sustainability of funds?**
- e. **Has your organization attempted to explore attempted funding sources or innovative financing mechanisms?**
 - a. **What is the status? What are the learnings?**
 - b. **Does the institution have mechanisms to receive private funding?**
 - c. **How does it deal with conflict of interest?**

III. Best Practices in Integration/ International Cooperation (Identifying opportunities)

- a. **What are the priority program and budget of the organization?**
 - i. **Where relevant: Can tobacco control related activity/ies be integrated in any particular program/s?**
 - ii. **How? or Why not? What are the barriers?**
- b. **Can you describe some of your organization's best practices in achieving integration of a multi-sectoral issue in different sectors or programs?**
 - i. **For example, can you cite an instance where UNCTAD worked with countries or with other international bodies to ensure that multisectoral collaboration is enhanced?**
- c. **Can you describe some of your organization's best practices in international cooperation?**

- i. For example, are there best practices involving Secretariats of treaties or other international organizations working with the organization, or of countries working together to maximize the utility of the said organization's resources?

IV. Prospects for Tobacco Control

- d. **Can you tell me about your views on how tobacco control can be further integrated/ prioritized in your organization's programs/projects/ directions?**

- e. **If funding would be required to undertake these activities, would you have an idea how much it would be?**
 - i. Can you provide a ballpark figure for this? (e.g. a range, an example of a similar activity and how much that could cost?)

- f. **What other activities can be undertaken to best promote tobacco control implementation in your organization?**
 - i. Is, for example, a joint activity with the FCTC Secretariat, worthwhile? (name a possible activity)
 - ii. How about with specific countries?
 - iii. How about with WHO?

- g. **Do you believe that external funding should be provided to undertake activities mentioned?**
 - i. Do you think the funding should come from the WHO? Or the FCTC Parties/ Secretariat? Or from individual countries? Or from the private sector?
 - ii. What is your basis for this recommendation?

ANNEX F

Simulation of Solidarity Tobacco Levy

The table below illustrates how the 31 HIC countries could participate in the STL to raise \$1 billion:

STL-HICs Only (Target: \$1 billion)

STL Rate (US\$)= 0.02162545

Country	2011 Cigarette Consumption (Pack of 20s)	Total STL (US\$)	2011 Smoking Population	STL/Capita (US\$)
Australia	958,780,000	20,734,049	3,146,000	6.59
Austria	730,420,000	15,795,661	1,965,600	8.04
Belgium	515,395,000	11,145,649	1,864,300	5.98
Canada	1,743,790,000	37,710,243	4,382,000	8.61
Croatia	360,350,000	7,792,731	942,500	8.27
Czech Republic	1,066,730,000	23,068,516	2,247,900	10.26
Denmark	375,120,000	8,112,139	911,400	8.9
Estonia	97,625,000	2,111,185	310,400	6.8
Finland	233,320,000	5,045,650	824,700	6.12
France	2,705,400,000	58,505,492	14,694,700	3.98
Germany	4,223,300,000	91,330,763	15,631,300	5.84
Greece	1,244,275,000	26,908,007	3,548,700	7.58
Hungary	736,000,000	15,916,331	2,655,100	5.99
Ireland	204,965,000	4,432,460	814,700	5.44
Israel	390,275,000	8,439,872	1,101,600	7.66
Italy	4,434,895,000	95,906,600	11,716,000	8.19
Japan	9,794,370,000	211,807,659	22,662,200	9.35
Netherlands	643,370,000	13,913,166	3,462,800	4.02
New Zealand	106,510,000	2,303,327	680,000	3.39
Norway	103,660,000	2,241,694	715,900	3.13
Poland	2,719,940,000	58,819,926	9,242,200	6.36
Portugal Republic of Korea	438,625,000	9,485,463	1,744,700	5.44
Republic of Korea	4,497,055,000	97,250,838	9,732,000	9.99
Saudi Arabia	1,236,725,000	26,744,735	5,065,800	5.28
Singapore	118,500,000	2,562,616	567,700	4.51
Slovakia	379,005,000	8,196,154	1,404,100	5.84
Slovenia	236,350,000	5,111,175	1,404,100	3.64
Spain	3,178,865,000	68,744,386	-	-
Sweden	264,250,000	5,714,525	825,500	6.92
United Arab Emirates	263,040,000	5,688,358	-	-
United Kingdom & Northern Ireland	2,240,940,000	48,461,336	9,937,300	4.88
Total HICs only	46,241,845,000	1,000,000,707	134,201,200	7.45

Notably, countries with the higher consumption levels but less number of smokers would be contributing more to the fund. Presumably, smokers smoke more cigarettes in these countries such as

in Japan, Korea, Greece, Croatia, Czech Republic, Austria and Italy and hence each smoker from these countries essentially contributes from \$8-10 per year to the fund if the tobacco companies pass on this levy; while smokers in other countries contribute from \$4-7 per year.

The table below shows how 18 “HIC with tobacco industry headquarters” (HIC/TI) can contribute to raise 1 billion.

STL-TI (Target: \$1 Billion)
STL Rate (US\$)= 0.02934544

Country	2011 Cigarette Consumption (Pack of 20s)	Total STL (US\$)	2011 Smoking Population	STL/Capita (US\$)
Australia	958,780,000	28,135,821	3,146,000	8.94
Austria	730,420,000	21,434,496	1,965,600	10.9
Belgium	515,395,000	15,124,493	1,864,300	8.11
Canada	1,743,790,000	51,172,285	4,382,000	11.68
Chile	656,460,000	19,264,108	3,816,200	5.05
Denmark	375,120,000	11,008,061	911,400	12.08
France	2,705,400,000	79,391,153	14,694,700	5.4
Germany	4,223,300,000	123,934,597	15,631,300	7.93
Ireland	204,965,000	6,014,788	814,700	7.38
Italy	4,434,895,000	130,143,945	11,716,000	11.11
Japan	9,794,370,000	287,420,097	22,662,200	12.68
Netherlands	643,370,000	13,913,166	3,462,800	4.02
New Zealand	106,510,000	18,879,976	680,000	5.45
Norway	103,660,000	3,041,948	715,900	4.25
Singapore	118,500,000	3,477,435	567,700	6.13
South Africa	1,184,365,000	34,755,712	6,984,800	4.98
Spain	3,178,865,000	93,285,192	-	-
Sweden	264,250,000	7,754,533	825,500	9.39
United Kingdom & Northern Ireland	2,240,940,000	65,761,370	9,937,300	6.62
Total HICs only	34,076,845,000	1,000,000,010	104,098,400	9.61

In this illustration, lesser countries are participating hence contributions per country and per smoker increased accordingly. Australia, Austria, Denmark, Italy, Japan and Sweden would contribute from \$9-13 per smoker per year while the others would contribute between \$5-7.

As discussed earlier, adding China to this list would spell a huge difference by significantly reducing STL contribution per pack for all participating countries.

ANNEX G

Funding Gap, Potential Benefits of Incremental Funding and Challenges in Resource Mobilization

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This section discusses the incremental funds that are needed to: (1) implement the Framework Convention on Tobacco Control (FCTC) in developing countries; and, (2) identify international cooperation activities that can assist in FCTC implementation and determine their costs.

In addition to a review of literature, the research team collected data primarily from reviewing FCTC budgets and Party reports, and also conducted a survey among Ministry of Health (MOH) focal persons to answer the key research question: How much incremental funds are needed to fund development and implementation of tobacco control measures in developing countries?

1. Cost of FCTC Implementation in Developing Countries

FCTC Parties are required by the Convention to undertake numerous substantive obligations that cover a comprehensive set of measures. However, a handful of measures have been identified as cost-effective measures or “best buys” in tobacco control.¹⁶³ This vertical approach has been more pronounced with the promotion of MPOWER¹⁶⁴ that was launched by the World Health Organization Tobacco Free Initiative (WHO TFI) with Bloomberg funding.¹⁶⁵

Governments are required to include tobacco control in their national priorities and provide adequate funding, seeking external funding or assistance where needed.¹⁶⁶ Aside from a few countries that earmark tobacco taxes for tobacco control, many struggle to keep tobacco control as a national health priority and to allocate sufficient funds for it¹⁶⁷ due to, among others, competing public health issues. Many have relied on development assistance, including private sector funding, which mostly focus primarily on MPOWER strategies.¹⁶⁸

WHO MPOWER Initiative

The WHO MPOWER measures, which correspond to one or more articles in the FCTC, seek to assist in reducing the demand for tobacco at the country level, as follows:

Monitor tobacco use and prevention policies

¹⁶³ WHO & WEF (2011). From Burden to “Best Buys”: Reducing the Economic Impact of Non-Communicable Diseases in Low- and Middle-Income Countries. Retrieved from http://www.who.int/nmh/publications/best_buys_summary.pdf (last visited 10 October 2013).

¹⁶⁴ **MPOWER** refers to the WHO’s package of six (6) effective tobacco control policies, namely: **M**onitor tobacco use and prevention policies; **P**rotect people from tobacco smoke; **O**ffer help to quit tobacco use; **W**arn about the dangers of tobacco; **E**nforce bans on tobacco advertising, promotion, and sponsorship; and, **R**aise taxes on tobacco. – Source: WHO (2008). WHO Report on the Global Tobacco Epidemic: The MPOWER Package.

¹⁶⁵ WHO TFI. MPOWER brochures and other resources. Retrieved from <http://www.who.int/tobacco/mpower/publications/en/index.html> (last visited 10 October 2013).

¹⁶⁶ WHO FCTC (2005). WHO Framework Convention on Tobacco Control (3rd reprint). Articles 5, 22 & 26. Retrieved from <http://whqlibdoc.who.int/publications/2003/9241591013.pdf> (last visited 10 October 2013).

¹⁶⁷ WHO FCTC (2012). Global Progress Report on the Implementation of the WHO Framework Convention on Tobacco Control. Retrieved from http://www.who.int/fctc/reporting/2012_global_progress_report_en.pdf (last visited 03 October 2013).

¹⁶⁸ Bloomberg Initiative To Reduce Tobacco Use Grants Program. What we fund. Retrieved from <http://www.tobaccocontrolgrants.org/Pages/40/What-we-fund> (last visited 14 October 2013).

Protect people from tobacco smoke

Offer help to quit tobacco use

Warn about the dangers of tobacco

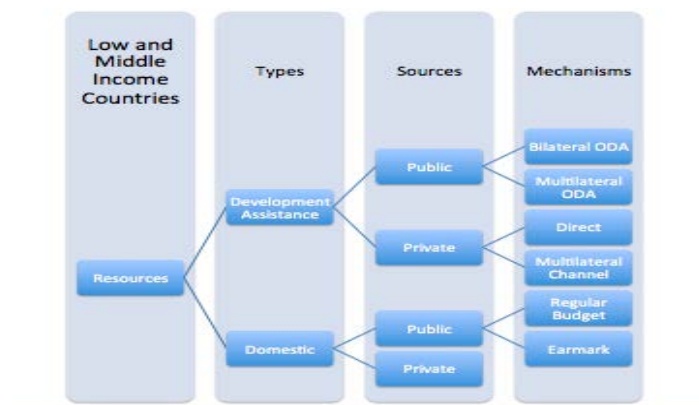
Enforce bans on tobacco advertising, promotions, and sponsorships

Raise taxes on tobacco

1.1. Costs Involved: Sources of Funds and Data Availability

In order to properly estimate the current and projected cost of implementation, it is important to analyze the sources of funds and verify data availability. Research shows the data gaps in each of the different sources of funding.

The chart below roughly illustrates the key mechanisms and sources of typical in-country funding for health:



1.1.1. Domestic Public Sources

Funding for health typically forms part of the regular national budget, and this may include tobacco control, depending on country priorities. A majority of the Parties' FCTC reports do not indicate the amount of tobacco control-related funds expended or budgeted. Based on Party reports, the budget is referred to in order to express that there is insufficiency of financial resources for tobacco control at the country level.

Results of Survey

The survey of the MOH focal persons for tobacco control revealed that a majority of the respondents who are from developing countries are not intimately familiar with the budget. In addition, as discussed in the limitations section, there is insufficient number or representation of respondents in order to make a meaningful estimate of the amount being allocated and incremental amount needed for tobacco control. To be specific, only nine (9) out of twenty-one (21) respondents who reached this

part of the question are in charge of budgets and familiar with financial challenges and opportunities in tobacco control. Sixty percent (60%) of them claim that their respective offices do not keep track of budgets for tobacco control.

Furthermore, assuming there is sufficient number of respondents to the survey, access to the budgets would be another challenge in estimating budget sufficiency and needs for tobacco control. The survey shows that out of the seven (7) respondents that keep track of tobacco control budgets, only five (5) indicated that tobacco control budgets may be publicly available but qualified that the details may not be extracted from such sources since tobacco control expense/ budget is subsumed under larger health issues, such as non-communicable diseases (NCDs).

Despite the lack of familiarity of the budgets, an overwhelming majority of respondents indicated that funds for treaty implementation is inadequate and should be increased.

1.1.2. External Public Sources

External funding from public sources typically reaches a country in the form “development assistance” or “development cooperation.” If the assistance is given to countries listed among qualified recipients of “official development assistance” (ODA) as defined by the Organisation for Economic Co-operation and Development (OECD) and satisfies ODA conditions, then the development assistance is qualified as ODA.¹⁶⁹ This traditionally comes in two (2) forms, namely:

- a. Bilateral or from a donor country or region to a recipient country or region; and,
- b. Multilateral or sourced from a donor to multilateral channels, such as international organizations, bodies, entities, partnerships, or global funds.

1.1.3. ODA and Tobacco Control

The FCTC encourages maximizing the use of these channels of development cooperation, and urges Parties to promote tobacco control in international fora for this purpose.¹⁷⁰ The amount of development assistance for tobacco control for developing and emerging economies worldwide is less than \$13M per year between 2000-2009.¹⁷¹ This figure combines private and public sector funding given to 149 developing and emerging economies.

An accurate account of total ODA for tobacco control is not available. In the 2012 WHO report on official development assistance for health,¹⁷² tobacco control funding is not tracked separately, unlike infectious disease control, malaria, tuberculosis, and sexually transmitted diseases (STD), including HIV/AIDS, or reproductive health, and family planning—which are based on internationally agreed development benchmarks, particularly the Millennium Development Goals (MDGs).¹⁷³ For purposes of

¹⁶⁹ OECD. Official development assistance – definition and coverage. Retrieved from <http://www.oecd.org/dac/stats/officialdevelopmentassistance/definitionandcoverage.htm> (last visited 06 October 2013).

¹⁷⁰ *Ibid.* 4, Articles 22 & 26.

¹⁷¹ Ross, Hana & Stoklosa, Michal (2012). “Development assistance for global tobacco control.” *Tobacco Control*. Retrieved from <http://tobaccocontrol.bmj.com/content/21/5/465.long> (last visited 06 October 2013). 21:465-470. doi:10.1136/tc.2011.043380.

¹⁷² WHO (2012). From Whom to Whom? Official Development Assistance for Health (2nd edition, 2000-2010). Retrieved from http://www.who.int/entity/nationalpolicies/resources/whom_to_whom2ndedition.pdf (last visited 06 October 2013).

¹⁷³ “MDG6 groups the following four Creditor Reporting System (CRS) purpose flags: Malaria Control; Infectious Disease Control; Tuberculosis Control; and STD control including HIV/AIDS. RH/FP groups the following two CRS purpose flags: Reproductive Health Care; and Family Planning. Other (health purposes) groups the following 10 CRS purpose flags: Basic Health Care; Basic Health Infrastructure; Basic Nutrition; Health Education; Health Personnel Development; Medical Education and Training; Medical

the global report, tobacco control may be classified under headings found in “Other Health Purpose,” or “Health Policy and Administration Management.”

1.1.4. Private Sources

A country’s health resources from external funding may also originate from private sources, such as private companies, individuals, academe, non-government organizations (NGOs) and, more commonly, private philanthropies. This is channeled to a country either directly, through NGOs, research/academic institutions, or through multilateral channels, such as multilateral agencies (WHO, Global Fund), or special funds established to receive private sector contributions (Trust Fund).¹⁷⁴

There is insufficient information from Parties to the FCTC on the total amount of development assistance that is available for tobacco control. Parties are not required to report the amount of assistance received.¹⁷⁵ Based on the assertions of Bloomberg Philanthropies and Gates Foundation, and on the FCTC Secretariat and WHO TFI’s budget, Callard estimated the total assistance to be no greater than **\$240 million in 2007-2008**.¹⁷⁶ This may include privately sourced funds (e.g., Bloomberg Foundation and other philanthropic organizations), budget from voluntary assessed contributions for the FCTC, regular WHO budget and, possibly, assistance provided by developed countries for specific tobacco control activities.

The most significant progress in tobacco control financing came with the advent of private sector funding from Bloomberg Philanthropies which invested \$125 million in tobacco control in 2005.¹⁷⁷ In 2008, the Bill and Melinda Gates Foundation followed suit and committed \$125 million for tobacco

Research; Medical Services, Personnel Development for Population and Reproductive Health; and Population Policy and Administration.” – **Source:** WHO (2012). *From Whom to Whom? Official Development Assistance for Health* (2nd edition, 2000-2010). Retrieved from http://www.who.int/entity/nationalpolicies/resources/whom_to_whom2ndedition.pdf (last visited 06 October 2013). p. xi.

¹⁷⁴ Hurley, Gail (2012). *Innovative Financing for Development: A New Model for Development Finance?* UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/Innovative_Financing_Web%20ver.pdf (last visited 10 October 2013).

¹⁷⁵ WHO FCTC (2006). List of decisions for document A/FCTC/COP1/DIV/8: FCTC/COP1(14) Reporting and exchange of information. 23 March 2006. Retrieved from https://extranet.who.int/iris/restricted/bitstream/10665/75571/1/FCTC_COP1_DIV8-en.pdf (last visited 17 December 2013).

¹⁷⁶ “One of the most active supporters of global tobacco control, the Bloomberg Philanthropies, suggested in 2007 that \$200 million was spent on international development aid for tobacco control. The basis for their estimate was not stated, but it may have included the annual budget for the functioning of the Framework Convention on Tobacco Control (now \$6.5 million), the portion of the WHO budget for tobacco, alcohol, unhealthy diets, physical activity and unsafe sex (the total of which is now \$80 million) that is spent on tobacco control, and the estimated annual \$62 million investment of the Bloomberg Initiative to Reduce Tobacco Use. Since that estimate was made, a further \$25 million annualized donation was announced in 2008 by the Bill and Melinda Gates Foundation, and WHO/TFI produced an estimate of \$9.6 million spent on national tobacco control programmes in middle-income and low-income countries.” – **Source:** Callard, Cynthia (2010). “Follow the money: How the billions of dollars that flow from smokers in poor nations to companies in rich nations greatly exceed funding for global tobacco control and what might be done about it.” *Tobacco Control*. 19: 285-290. Retrieved from <http://tobaccocontrol.bmj.com/content/19/4/285.full.pdf+html> (last 31 October 2013). Citing Henning, KJ (2009). Bloomberg initiative to reduce tobacco use, highlights and lessons learned. Istanbul, 12th Congress on Public Health.

¹⁷⁷ Lawson, Robert. “Michael Bloomberg and Bill Gates Join to Combat Global.” *Bloomberg*. Retrieved from <http://www.gatesfoundation.org/Media-Center/Press-Releases/2008/07/Michael-Bloomberg-and-Bill-Gates-Join-to-Combat-Global-Tobacco-Epidemic> (last visited 06 October 2013).

control.¹⁷⁸ Since then, the number of private donors has decreased, although those which remained have continuously increased their investments.¹⁷⁹

It is not clear if the foregoing estimate includes the support that the Secretariat provides to developing countries to assist them in fulfilling treaty obligations,¹⁸⁰ but the Framework Convention Alliance reported that based on the WHO Implementation Database, 40% of developing Parties have indicated that they have received no assistance.¹⁸¹

1.1.5. Other Data Required to Project Costs: Impact Costs such as Alternative Livelihood, Trade, and Litigation

Thus far, there has been no estimate, either in actual or projected terms, of the amount spent by governments as “impact costs” or economic costs of implementing the treaty. The treaty identified one area to be alternative livelihood, specifically Art. 4.6 (Guiding Principles) which states that: “The importance of technical and financial assistance to aid the economic transition of tobacco growers and workers whose livelihoods are seriously affected as a consequence of tobacco control programmes in developing country Parties, as well as Parties with economies in transition, should be recognized and addressed in the context of nationally developed strategies for sustainable development.”¹⁸²

The survey shows that a majority of the respondents view alternative livelihood as important but not classified as “very important” in the same way enforcement, regulation of the tobacco industry, and awareness-raising is considered important. Four (4) of the nine (9) respondents are tobacco-producing countries.

In addition to alternative livelihood, impact of trade-related tobacco industry challenges as a result of treaty implementation has yet to be quantified. The tobacco industry systematically launched trade-related challenges against tobacco control measures. This comes in the form of trade-related arguments, court cases to challenge tobacco control measures, and dispute settlement proceedings against the state in the international tribunal. Costs to counter tobacco industry’s offensive include manpower costs to address the tobacco industry’s demand for information, to counter its public campaigns against tobacco control measures, legal costs of suits and arbitration, and building capacity to address such trade-related challenges. Organizations, like Corporate Accountability International, has enumerated the variety of tobacco industry litigation tactics, but there is currently no information on the total costs of countering these tactics, except for rough estimates based on anecdotal accounts, such as the amount Uruguay has spent on legal fees in Philip Morris’ investor-state dispute, and

¹⁷⁸ Lawson, Robert. “Michael Bloomberg and Bill Gates Join to Combat Global.” *Bloomberg*. Retrieved from <http://www.gatesfoundation.org/Media-Center/Press-Releases/2008/07/Michael-Bloomberg-and-Bill-Gates-Join-to-Combat-Global-Tobacco-Epidemic> (last visited 06 October 2013).

¹⁷⁹ Ross, Hana & Stoklosa, Michal (2012). “Development assistance for global tobacco control.” *Tobacco Control*. Retrieved from <http://tobaccocontrol.bmj.com/content/21/5/465.long> (last visited 06 October 2013). 21:465-470. doi:10.1136/tc.2011.043380.

¹⁸⁰ Such as:

- a. Needs assessment for purposes of raising funds;
- b. Work with intergovernmental organizations and other bodies; and,
- c. Assistance to Parties in the implementation of the Convention with a view to promote harmonization and alignment of tobacco control policies at country level [Article 24(c) and (g), Article 22, Article 26], approved by COP3 for a budget of US\$2.6M.

¹⁸¹ Framework Convention Alliance (2012). Close the Resource Gap: Fix the FCTC’s Mechanisms of Assistance. Retrieved from http://www.fctc.org/images/stories/FixFCTCsMoA_March12_EN_web.pdf (last visited 13 December 2013).

¹⁸² WHO FCTC (2005). WHO Framework Convention on Tobacco Control. Article 4.6. Retrieved from <http://whqlibdoc.who.int/publications/2003/9241591013.pdf> (last visited 06 October 2013).

Australia’s estimate of the hours spent in producing documents demanded by the British American Tobacco (BAT).

Although tobacco industry interference is the most commonly reported challenge in treaty implementation next to financial restraints, there is little or no funding specifically allotted to counter tobacco industry interference. A typical means by which tobacco companies gain access to policy-makers and influence tobacco control laws is through their so-called corporate social responsibility (CSR), which essentially is just “a form of corporate political activity” and “image management.”¹⁸³ Most developing countries find it difficult to resist tobacco industry CSR due to their dire need for resources to address social concerns; hence, banning tobacco industry’s supposed CSR remains a huge challenge, even though such a measure is a component of a comprehensive tobacco advertising ban. Transnational tobacco companies contribute roughly an average of \$60M annually in CSR funds to various countries—an amount that is almost 4 times more than the FCTC Secretariat’s current budget and approximates the total amount of development assistance for tobacco control globally.¹⁸⁴

1.2. Various Estimates

In 2006, Chaloupka, et al. estimated that developing countries would need between **US\$6 billion and US\$18 billion** to implement cost-effective interventions in tobacco control, price increases, and nicotine replacement therapy (NRT).¹⁸⁵

	Cost of Price Increase ¹⁸⁶	Cost of NRT	Total
2006 Estimate <i>Low Range</i>	\$1.256B	\$4.911B	\$6.167B
2006 Estimate <i>High Range</i>	\$3.138B	\$15.686B	\$18.824B

In a 2011 publication on “Scaling up action against non-communicable diseases (NCDs),” the WHO identified four population-based demand reduction measures as “best buys” or cost-effective investments with the highest impact in reducing tobacco consumption, namely: enforcing smoke-free policies, raising tobacco taxes, mandating package warnings, and imposing advertising bans.¹⁸⁷

¹⁸³ Fooks GJ, Gilmore AB, Smith KE, Collin J, Holden C, et al. (2011). Corporate Social Responsibility and Access to Policy Elites: An Analysis of Tobacco Industry Documents. PLoS Med 8(8): e1001076. doi:10.1371/journal.pmed.1001076. Retrieved from <http://www.plosmedicine.org/article/fetchObject.action?uri=info%3Adoi%2F10.1371%2Fjournal.pmed.1001076&representation=P> DF (last visited 13 December 2013).

¹⁸⁴ Sy, Deborah (2013). Funding Endgame Strategies: Innovative Financing Mechanisms. Presented during the Endgame Conference in September 2013. Based on a forthcoming paper by Deborah Sy and Allan Villanueva.

¹⁸⁵ Jha, P., Chaloupka, F., Moore, J., Gajalakshmi, V., Gupta, P., Peck, R., Asma, S., and Zatonski, W. (2006). Tobacco Addiction in *Disease Control Priorities in Developing Countries*, p. 880. The International Bank for Reconstruction and Development/The World Bank. Retrieved last October 31, 2012 from <http://www.ncbi.nlm.nih.gov/books/NBK11741/pdf/ch46.pdf>.

¹⁸⁶ *Id.* at 880. – In general, price increases are found to be the most cost-effective anti-smoking intervention. A 33 percent price increase (our base case scenario) could be achieved for a cost of US\$13 to US\$195 per DALY saved globally, or US\$3 to US\$42 in low-income countries and US\$85 to US\$1,773 in high-income countries. Wider access to NRT could be achieved for between US\$75 and US\$1,250 per DALY saved, depending on which assumptions are used. Non-price interventions other than NRT could be implemented for between US\$233 and US\$2,916 per DALY saved. Thus, NRT and other non-price measures are slightly less cost-effective than price increases but remain cost-effective in many settings.

¹⁸⁷ WHO (2011). Scaling up Action Against NCDs: How much will it cost? Retrieved from http://whqlibdoc.who.int/publications/2011/9789241502313_eng.pdf (last visited 13 December 2013). p 17.

Including overall programme management and media support, the average annual cost of these interventions in all middle- and low-income countries is projected at an average of **US\$0.11 per capita** (low of \$0.05 for low-income countries and high of \$0.15 in upper-middle-income countries), or a gross estimate of **US\$620,120,015** for the 5.6 billion population concerned. This amount includes expense for human resources, training, meetings, mass media, supplies and equipment, and other programme costs.¹⁸⁸ The projected amount is not expected to decline or increase since a constant investment is needed to develop the policies and maintain a comprehensive level of enforcement.¹⁸⁹ It bears stressing that “impact costs,” such as support in relation to alternative livelihoods for tobacco growers and workers, as well as legal costs to counter tobacco industry interference and lawsuits, are not included in these estimates.

In 2011, the WHO reported, based on less than 51 countries with available data from 2007 to 2010, that low-income governments spend \$0.001 per capita on tobacco control, while middle-income governments spend \$0.013 per capita on the same. The report showed that 97% of the US\$1 billion spent on tobacco control by these countries are from high-income countries.¹⁹⁰ Rough estimates based on these figures reveal that no more than US\$65 million is spent by low- to middle-income countries on tobacco control.

	Based on	Total (in millions of US\$)
2006: Estimate of amount needed	Price increase and NRT	6,167 -18,824
2011: Estimate of amount needed	4 cost-effective interventions	620
2011: Estimate of amount actually spent on tobacco control	Overall tobacco control by developing countries	< 65
	Overall tobacco control by all countries	1,000
Estimate for country level: Developing countries	Expenditure as a percentage of needs for 4 interventions	1-10%
All countries	Expenditure as a percentage of needs	5-17%
2010-11: Actual budget of the FCTC		12.988
Development assistance	All forms	240

¹⁸⁸ *Id.* at 17.

¹⁸⁹ *Id.* at 18.

¹⁹⁰ WHO (2011). WHO Report on the Global Tobacco Epidemic, 2011: The MPOWER Package. Retrieved from http://whqlibdoc.who.int/publications/2011/9789240687813_eng.pdf (last visited 13 December 2013).

Overall, actual data relating to needs remain insufficient. In 2007, the Conference of the Parties (COP2) determined that needs assessment was necessary to further determine the financing required for the Parties to implement the treaty.¹⁹¹ The Secretariat subsequently conducted needs assessment in up to 30 developing countries but only one Party has allowed such report to be publicized.¹⁹²

Policy briefs relating to needs assessment show that there are more questions than answers. It is not clear how the needs assessment has contributed to increase in resources for treaty implementation. The FCTC Secretariat reports that when Parties seek specific assistance to mobilize resources, it offers technical assistance, including assistance in preparing proposals.¹⁹³ This is possibly one means of reducing to numbers the cost of treaty implementation. The Working Group of Mechanisms of Assistance is currently tasked to review the needs assessment process as a mechanism of assistance.

1.3. Challenges in Resource Mobilization

Insufficiency of resources is one of the most frequently reported constraints mentioned by FCTC Parties, along with tobacco industry interference and weak intersectoral coordination.¹⁹⁴ The reasons vary. Some claim it is a matter of political will, while others point to competing public health priorities and other more pressing issues.¹⁹⁵

MOH and national tobacco control focal persons were asked through the survey about the adequacy and proportionality of funds for tobacco control. Seventy-three percent (73%) of eleven (11) respondents have the perception that tobacco control funding is not enough, though some of them are not familiar with the budget. Respondents were asked whether tobacco control constituted a significant portion (i.e., at least 10%) of their national budget for prevention and control of NCDs. Only two (2) respondents indicated that tobacco control constituted a significant portion of their budget, while five (5) respondents answered that tobacco control did not constitute a significant portion of their budget. Four (4) respondents could not make such an assessment. Eight (8) respondents indicated that all the tobacco control activities over the past year were not funded, while three (3) respondents said that all the tobacco control activities proposed were funded.

In a key informant interview (KII), the tobacco control focal person of a major developing country observed that traditional government funds are too bureaucratic to access. Disbursements are delayed and not timely to undertake specific activities, and strict budgetary lines make it difficult to keep pace

¹⁹¹ WHO FCTC (2006). *Conference of the Parties to the WHO FCTC: First Session*. Review of existing and potential sources and mechanisms of assistance: Note by the Secretariat. Provisional agenda item 4.5. A/FCTC/COP/1/4. Published on 9 January 2006. Retrieved from http://apps.who.int/gb/fctc/PDF/cop1/FCTC_COP1_4-en.pdf (last visited 31 October 2012).

¹⁹² WHO FCTC and Ghana Ministry of Health & Health Service (2010). *Needs Assessment for Implementation of the WHO Framework Convention on Tobacco Control in Ghana*. Retrieved from <http://www.ghanahealthservice.org/includes/upload/publications/Needs%20Assesment%20for%20Tobacco%20Control%20In%20Ghana.pdf> (last visited 04 November 2012).

¹⁹³ Discussions during FCTC Secretariat's meeting with NGOs May 2013

¹⁹⁴ WHO FCTC (2012). Global Progress Report on the Implementation of the WHO Framework Convention on Tobacco Control. Retrieved from http://www.who.int/fctc/reporting/2012_global_progress_report_en.pdf (last visited 03 October 2013). p. 64.

¹⁹⁵ South Centre's forthcoming paper "Exploring innovative global and national financing mechanisms for tobacco control"

with tobacco industry interference. In contrast, finance from the Bloomberg Initiative is much more flexible.

Survey respondents were also asked to rate specific areas of tobacco control implementation according to their degree of importance (i.e., “very important,” “important,” “neutral,” or “not important”). The areas that were considered to be either “very important” or “important” can be ranked, as follows: law enforcement; awareness campaigns; regulatory initiatives; alternative livelihood; research; capacity-building; legal assistance; building alliances with stakeholders, such as civil society organizations and academe; outreach to other government agencies. Three (3) respondents reckoned the following “other activities” to be “very important”: tobacco cessation; creating smoke-free settings; and, community involvement. While two (2) respondents regarded alternative livelihood to be “very important,” five (5) respondents considered it “important.” Two (2) respondents were “neutral” about its importance, while one (1) respondent deemed it “not important.”

Respondents were also asked to indicate if additional funding is not required for activities they rated as “very important” or “important.” Majority of them indicated the need for additional funding to implement the activities they considered “very important” or “important.” Thirteen (13) respondents also specified that additional funding will be generally helpful for implementation of tobacco control in their respective countries.

Survey respondents were further asked to indicate the funding estimated to be required annually to implement the said areas of tobacco control. Ten (10) respondents answered this question. Although no respondent could provide an estimate for all the indicated areas of tobacco control, estimates were provided for some areas, except by one (1) respondent. Most estimates were provided for awareness campaigns, research and capacity-building (5 responses), followed by estimates for regulatory initiatives and building alliances with other stakeholders (4 responses), and law enforcement and legal assistance (3 responses). Only two (2) respondents could provide estimates for alternative livelihood. Two (2) of the three (3) respondents who had identified other areas of importance for tobacco control could provide estimates for funding that would be required.

Based on the survey and KII responses, it can be concluded that for all of the areas of tobacco control that are considered important by countries, incremental and additional funding could significantly assist in the implementation of the said activities. What is clear from the review of literature and the survey is that data required to determine the amount of resources needed is lacking. However, developing nations are able to identify priority tobacco control activities when funding opportunities are available and, when coupled with technical assistance, as evidenced by the applications to the Bloomberg calls for proposals.

FCTC Parties, through their Party reports and as validated by the survey respondents, consistently highlight the vital importance of incremental funding and financial assistance. Nonetheless, the failure to identify the specific amounts needed is a severe flaw.

Neither in the Party reports nor in the surveys/IIIs has the status of the database on available resources been adjudged as either useful or insufficient. It is not clear how such a tool has contributed to increasing access to resources, or how much potential it has in increasing resources when various public health interests are competing in most of the funding sources. There are only a handful of specific funding sources that have been made exclusive for tobacco control, a significant portion of which is from philanthropic organizations, Bloomberg Initiative, and Gates Foundation.

There is also no estimate of how much incremental funding for domestic implementation can be expected by highlighting FCTC in the NCDs. Civil society groups have expressed optimism that this is a possible outcome.¹⁹⁶

The FCTC Secretariat has been tasked to oversee resource mobilization as part of mechanisms of assistance for developing nations. However, the resource mobilization strategies are limited to some identified tools (e.g., database, network) instead of a funding strategy which involves organizational management and stakeholder relationships enabled by a communication strategy.¹⁹⁷

In this context, the research sought to explore how future Article 6 guidelines, decisions relating to Article 26, or United Nations General Assembly (UNGA) resolutions can serve to encourage countries to explore innovative financing mechanisms (IFMs) for tobacco control. Most survey respondents agreed on the need for additional financing for tobacco control in general, and also for specific activities they considered “very important.” Eleven (11) out of twelve (12) respondents believed that innovative financing should increase the price of tobacco, while nine (9) out of twelve (12) held that innovative financing should increase the cost of unhealthy behavior.

Future Article 6 guidelines could be useful in encouraging countries to explore additional funding for implementation of tobacco control. During the meeting of the Working Group on Sustainable Mechanisms for Implementation of FCTC, three (3) countries specifically mentioned the need to explore IFMs for resource mobilization. Two (2) countries expressed the need to follow the recommendation in the partial Article 6 guidelines for countries to consider a dedicated revenue stream for tobacco control from tobacco taxation. The Working Group discussed mobilizing resources and recognized the need to further explore a sustainable funding mechanism in line with Article 26 and the guidelines on Article 6 of the FCTC in order to support tobacco control through resource mobilization at the country level.

In this context, it is important to note that many of the KIs mentioned the possibility of strong resistance from finance ministries about earmarking tobacco taxes for tobacco control. There could also be legal or constitutional constraints to earmarking. In Brazil, earmarking taxes is not allowed under its Constitution. Thus, while the country participates in IFMs, such as the air ticket levy, the revenues raised through this tax are not earmarked for funding the UNITAID; rather the revenues go into the country’s national budget from which specific budgetary allocations are made to the UNITAID. One of the first tobacco taxes that was hypothecated in Australia was also deemed unconstitutional on legal grounds. Australia had to then allocate a proportion of general government revenues rather than hypothecate it. Therefore, how to overcome constitutional limitations to earmarking or hypothecating revenue for specific purposes will be an important legal issue to address.

In addition to considering tobacco taxes as a source of dedicated revenue for tobacco, Article 6 guidelines also recommends Parties to consider prohibiting or restricting the duty-free importation and sales of tobacco products by international travellers. It was observed in the KIs that targeting duty-free sales of tobacco by imposing a levy, in an approach similar to the levy on airline ticket sales, could be a potential source of revenue. It was also noted that since ministries of finance do not tax duty-free sales, their potential revenues will not be affected.

¹⁹⁶ FCA policy papers on NCD 2013. Available at www.fctc.org

¹⁹⁷ IDRC & Venture for Fund Raising (2010). Resource Mobilization: A Practical Guide for Research and Community-Based Organizations (2nd edition). Retrieved from http://www.idrc.ca/EN/Programs/Donor_Partnerships/Documents/Donor-Partnership-guide.pdf (last visited 09 October 2013).

Article 26 of the FCTC places a number of obligations on the Parties with regard to financial resources. These responsibilities are to: (1) provide financial support in respect of national activities for implementing the Convention; 2) promote bilateral, subregional, regional, and multilateral channels of funding to support multisectoral tobacco control programs in developing countries and transition economies, particularly economically-viable activities; (3) encourage relevant international and regional organizations to provide financial assistance to developing countries and transition economies; (4) mobilize all relevant existing and potential technical and financial resources; and, 5) take a decision in COP on the necessity to enhance existing mechanisms or establish a voluntary global fund or other appropriate financial mechanism to channel additional financial resources.

In this context, seven (7) out of thirteen (13) respondents perceived financial assistance for economically-viable alternatives. Eight (8) out of thirteen (13) respondents considered “very important” the establishment of a voluntary global fund or other appropriate financing mechanism. Four (4) respondents considered both these areas under Article 26 “important.” This points to some interests in exploring IFMs. Parties could also encourage discussions about innovative financing for tobacco control in relevant international organizations where innovative financing issues have been discussed. The table below provides an overview of various international forums where IFMs have been discussed.

Meetings and Resolutions	Year
United Nations (UN) Millennium Declaration	2000
Monterrey Consensus of the International Conference in Financing for Development	2002
2005 World Summit Outcome	2005
Paris Ministerial Conference on Innovative Development Financing Mechanisms (which established the Leading Group on Innovative Financing for Development, a body that brings together 64 countries, various international institutions, foundations, and non-governmental organizations)	2006
Doha Declaration on Financing for Development: Follow-up Conference on Financing for Development to Review the Implementation of the Monterrey Consensus	2008
Outcome of the Conference on the World Financial and Economic Crisis and its Impact on Development	2008
G8 meeting at L'Aquila, Leaders' Declaration	2009
High Level Plenary Meeting of the General Assembly (GA) on Millennium Development Goals (MDGs) and its outcome document	2010
United Nations General Assembly (UNGA) Resolution: Innovative Mechanisms of Financing for Development	2010
UNGA Resolution: Follow-up to the International Conference on Financing for Development	2011
UNGA Resolution: Follow-up to the International Conference on Financing for Development	2012

Most of the survey respondents were of the view that IFMs for tobacco control should promote additional or new funds instead of merely reallocating funds or tapping existing resources. While additionality is an important principle of innovative financing, as pointed out in a UNDP paper, most of the IFMs do not generate new funds that can be considered additional to ODA. The current lack of additionality in IFMs was also observed in two (2) KIIs.

Therefore, it will be necessary to prioritize areas where funds should be allocated. Nine (9) out of eleven (11) respondents considered the statement “increase in financing should go to domestic implementation exclusively” “very important,” while two (2) respondents reckoned it as “important”. Seven (7) of eleven (11) respondents deemed it “very important” to contribute to NCDs. On the other hand, three (3) of eleven (11) considered it “very important” to contribute to international cooperation, with five (5) deeming it “important.”. Though there is consensus that international cooperation is important, it seems that own-country funds should not be contributed for it.

1.4. Benefits of Incremental Funding to Accelerate Treaty Implementation

Despite the lack of data to estimate the specific needs of developing countries, there is evidence to show that incremental funding can be beneficial for tobacco control implementation. One example would be how the availability of grant funds (e.g., Bloomberg Initiative) has accelerated tobacco control program implementation. For instance, the Bloomberg Foundation reported that since the Bloomberg Initiative began in 2007, twenty-one (21) countries have passed 100% smoke-free laws, the percentage of people protected from second-hand smoke has increased 400%, and almost four billion people worldwide are now protected by at least one of the six proven tobacco control policies.¹⁹⁸ Because it is the resource-strapped countries that are most adversely affected by the tobacco epidemic, the availability of grant funds and other forms of development assistance makes a significant difference in capacitating them to meet some of their obligations under the treaty.

2. Cost of Treaty Implementation at the International Level

A key component of treaty implementation at the global level is dialogue at the multilateral or regional level. All of the survey respondents agreed that multisectoral cooperation at the global level will aid in promoting multisectoral action in the domestic level in order to assist in treaty implementation.

Intergovernmental policy dialogue and information exchange are the key mechanism to promote international guidelines and standards to assist Parties in implementing the treaty provisions and to promote multisectoral collaboration at the global level—which consequently contributes to accelerating interagency cooperation at the national level.¹⁹⁹ Such dialogue happens within the FCTC framework through the sessions of the COPs, Working Group meetings, Intergovernmental Negotiating Bodies (INBs), Ad Hoc Interagency Task Force on Tobacco Control (now NCDs), South-South, North-South, and triangular cooperation meetings, and cooperation with international agencies.²⁰⁰ Outside

¹⁹⁸Bloomberg, Mike. Reducing Tobacco Use. Retrieved last October 31, 2012 from <http://www.mikebloomberg.com/index.cfm?objectid=B30497B1-C29C-7CA2-F9F7AABDE96F87E7>.

¹⁹⁹ World Health Organization. Draft action plan for the prevention and control of noncommunicable diseases 2013–2020: Report by the Secretariat. 66th World Health Assembly. Retrieved from http://www.who.int/nmh/publications/ncd_action_plan2013.pdf (last visited 06 October 2013).

WHA (2013). Follow-up to the Political Declaration of the High-level Meeting of the General Assembly on the Prevention and Control of Non-communicable Diseases. 66th World Health Assembly WHA66.10. 27 May 2013. Retrieved from http://apps.who.int/gb/ebwha/pdf_files/WHA66/A66_R10-en.pdf (last visited 09 October 2013).

²⁰⁰ WHO FCTC (2012). Cooperation with international organizations and bodies for strengthening implementation of the Convention: Report by the Convention Secretariat. FCTC/COP/5/16. 22 August 2012. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_16-en.pdf (last visited 15 October 2013).

WHO FCTC (2010). South–South cooperation and implementation of the WHO Framework Convention on Tobacco Control: Report of the Convention Secretariat. FCTC/COP/4/18. 15 August 2010. Retrieved from http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_18-en.pdf (last visited 15 October 2013).

the FCTC framework, discussions at the UNGA High-Level Meeting and the UNGA special event on the MDGs promise to make the FCTC more visible, keep it high in the political agenda, and promote multisectoral coordination.²⁰¹

Aside from global dialogue fostered by the FCTC subsidiary bodies, tobacco control activities initiated by multilateral agencies focus on providing support for developing or emerging economies. This can include needs assessment (FCTC Secretariat), capacity assessment (WHO TFI), technical or legal advice, provision or brokering of grants, or other forms of development assistance, workshops, and other capacity-building initiatives.

Treaty implementation at the global and regional levels also involves work that is continuously being done by the WHO TFI, such as technical assistance, capacity-building, awareness-raising.²⁰² The WHO TFI uses its regular budget and extra-budgetary contributions from governments and entities, such as philanthropic organizations, like Bloomberg Foundation. Its budget specifically for tobacco control is not accessible online but it is reportedly much larger than the budget of the FCTC Secretariat. The need to align and harmonize the work of the WHO TFI on the one hand and the FCTC Secretariat on the other has been the subject of much discussions in the past COPs.²⁰³

Another category of global activities involves facilitating global efforts or initiatives with cross-border impact, such as developing a database of all graphic health warning images, tobacco control laws, or repository of data needed for information exchange provisions of the treaty.²⁰⁴

2.1. Costs Involved: Sources of Funds and Data Required

The chart below roughly illustrates the key mechanisms and sources of typical global funding for health:

WHO FCTC (2012). Report to the fifth session of the Conference of the Parties of the Chairperson of the Intergovernmental Negotiating Body on a Protocol on Illicit Trade in Tobacco Products. FCTC/COP/5/7. 11 May 2012. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_7-en.pdf (last visited 15 October 2013).

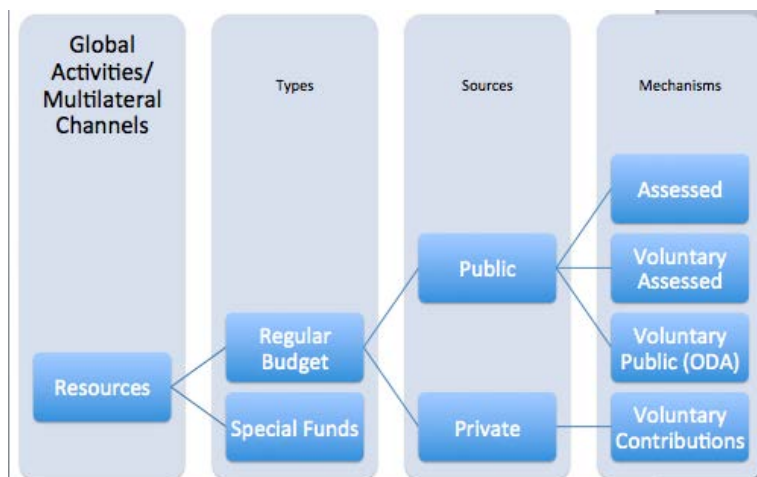
WHO FCTC (2012). Global Progress Report on the Implementation of the WHO Framework Convention on Tobacco Control. Retrieved from http://www.who.int/fctc/reporting/2012_global_progress_report_en.pdf (last visited 03 October 2013).

²⁰¹ UNGA (2012). Political Declaration of the High-level Meeting of the General Assembly on the Prevention and Control of Non-communicable Diseases. 66th session. A/RES/66/2. 24 January 2012. Retrieved from http://www.who.int/nmh/events/un_ncd_summit2011/political_declaration_en.pdf (last visited 10 October 2013).

²⁰² WHO FCTC (2008). Report of WHO's Tobacco Free Initiative on its activities undertaken specifically on the implementation of the WHO Framework Convention on Tobacco Control (decision FCTC/COP2(10)). FCTC/COP/3/13. 01 September 2008. Retrieved from https://apps.who.int/gb/fctc/PDF/cop3/FCTC_COP3_13-en.pdf (last visited 09 October 2013).

²⁰³ WHO FCTC (2010). Decisions. FCTC/COP/4/DIV/6. 06 December 2010. Retrieved from <http://www.who.int/fctc/copdecisions.pdf> (last visited 10 October 2013).

²⁰⁴ WHO FCTC (2009). Conference of the Parties to the WHO FCTC. Third Session. Durban, South Africa, 17-22 November 2008. Summary of Records of Committees. Reports of Committees. FCTC/COP/3/REC/3. Retrieved from http://apps.who.int/gb/fctc/PDF/cop3/FCTC_COP3_REC3-en.pdf (last visited 09 October 2013).



2.1.1. Assessed Contributions and Voluntary Assessed Contributions

Global activities would include tobacco control activities of the FCTC Secretariat, the WHO TFI, and other multilateral agencies. Funding for tobacco control would typically come from the core contributions or budget of the international organization, which is typically funded with assessed contributions (AC) from member states or from voluntary contributions.²⁰⁵ ACs are determined based on a country's capacity to pay and constitute members' obligations.²⁰⁶ Article 7 of the WHO's Constitution provides for the suspension of the right to vote in case of arrears in payment up to a certain threshold.²⁰⁷

The funds of the FCTC Secretariat form part of the fiduciary funds of the WHO, and is sourced from voluntary assessed contributions (VAC) of FCTC Parties.²⁰⁸ The amount is determined based on the capacity to pay, but suspension on the right to vote based on payment status does not apply.²⁰⁹

²⁰⁵ "Assessed contributions are payments made as part of the obligations that nations undertake when signing treaties. At the UN, assessments on member states provide a reliable source of funding to core UN functions through the UN regular and peacekeeping budgets, based on each country's ability to pay. Voluntary contributions are left to the discretion of each individual member state." – **Source:** Better World Campaign (2012). The UN Budget Process. Retrieved from <http://www.betterworldcampaign.org/issues/funding/the-un-budget-process.html> (last visited 06 October 2013).

²⁰⁶ WHO FCTC. Voluntary assessed contributions to the WHO FCTC for the financial period 2014-2015. Retrieved from http://www.who.int/fctc/Scale_assessment_EN.pdf (last visited 10 October 2013).

Framework Convention Alliance. FCTC: Action Now! FCTC processes. Retrieved from <http://www.fctc.org/index.php/campaigns-272/fctc-action-now/action-now-fctc-processes> (last visited 10 October 2013).

WHO FCTC (2004). Draft financial rules for the Conference of the Parties: Note by the Secretariat. A/FCTC/IGWG/1/5. 20 May2004. Retrieved from https://apps.who.int/gb/fctc/PDF/igwg1/FCTC_IGWG1_5-en.pdf (last visited 10 October 2013).

²⁰⁷ WHO (2006). Constitution of the World Health Organization. Basic Documents, 45th edition, Supplement. Retrieved from http://www.who.int/governance/eb/who_constitution_en.pdf (last visited 10 October 2013).

²⁰⁸ WHO FCTC. Voluntary assessed contributions to the WHO FCTC for the financial period 2014-2015. Retrieved from http://www.who.int/fctc/Scale_assessment_EN.pdf (last visited 10 October 2013).

Framework Convention Alliance. FCTC: Action Now! FCTC processes. Retrieved from <http://www.fctc.org/index.php/campaigns-272/fctc-action-now/action-now-fctc-processes> (last visited 10 October 2013).

WHO FCTC (2004). Draft financial rules for the Conference of the Parties: Note by the Secretariat. A/FCTC/IGWG/1/5. 20 May2004. Retrieved from https://apps.who.int/gb/fctc/PDF/igwg1/FCTC_IGWG1_5-en.pdf (last visited 10 October 2013).

²⁰⁹ WHO FCTC (2013). Conference of the Parties to the WHO FCTC. Summary of Records of Committees. 5th session. Seoul, Republic of Korea, 12-17 November 2012. FCTC/COP5/REC/2. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_REC2.pdf (last visited 14 October 2013).

2.1.2. Voluntary Contributions

Voluntary contributions are based on the discretion of members. The WHO and other international agencies encourage voluntary contributions to augment the core budget.²¹⁰ For countries that contribute to specific developmental purposes that benefit ODA-eligible countries, the value of the contribution would count as ODA flow.²¹¹ The private sector can make voluntary contributions to the WHO either for the core activities, or to specific fiduciary funds,²¹² like the Global Fund or the WHO FCTC. Currently, private entities, such as the Gates Foundation, pharmaceutical corporations, NGOs, and research institutes, contribute a substantial portion of voluntary contributions of the WHO.²¹³

2.1.3. Special Funds: Extrabudgetary Contributions to the FCTC Budget

Voluntary contributions made to augment the budget of the FCTC Secretariat are classified as extrabudgetary contributions in the FCTC budget process. Based on the Secretariat's financial reports, extrabudgetary contributions have been primarily from FCTC Parties. If eligible, these contributions also count as ODA.

2.1.4. Private Contribution and Other Funds in the WHO

Contributions of different forms may also be made to several other trust or fiduciary funds existing within the WHO accounts. These accounts have various specific purposes that may or may not include tobacco control, such as fiduciary funds (WHO FCTC, Stop TB, Roll back Malaria, Health Metrics Network), and non-consolidated entities to which the WHO merely provides administrative services (UNITAID, UNAIDS, and International Agency for Research on Cancer).²¹⁴

Private sector contributions, such as from the Gates Foundation, form a significant part of the WHO budget; however, such contributions that are allocated specifically for tobacco control are not reflected in the WHO budget.

2.2. Estimates of Costs and Needs

2.2.1. Voluntary Assessed Contributions

²¹⁰ Yussuf, Muhammad; Larrabure, Juan Luis & Terzi, Cihan (2007). Voluntary Contributions in United Nations System Organizations: Impact on programme delivery and resource mobilization strategies. Geneva: United Nations. Retrieved from https://www.unjui.org/en/reports-notes/archive/JIU_REP_2007_1_English.pdf (last visited 10 October 2013).

²¹¹ OECD (2008). Is it ODA? Factsheet. Retrieved from <http://www.oecd.org/dac/stats/34086975.pdf> (last visited 06 October 2013).

²¹² Financial report and audited financial statements for the period 01 January 2010 – 31 December 2011. 65th World Health Assembly. A65/29. 31 March 2012. Retrieved from http://www.who.int/about/resources_planning/A65_29-en.pdf (last visited 10 October 2013).

²¹³ WHO (2013). Voluntary contributions by fund and by contributor for the year ended 31 December 2012 (Annex). 66th World Health Assembly. A66/29 Add.1. 26 April 2013. Retrieved from http://apps.who.int/gb/ebwha/pdf_files/WHA66/A66_29Add1-en.pdf (last visited 06 October 2013).

²¹⁴ WHO (2013). Financial Report and Audited Financial Statements for the year ended 31 December 2012. 66th World Health Assembly. A66/29. Retrieved from http://www.who.int/about/resources_planning/A66_29-en.pdf (last visited 06 October 2013).

Treaty operations are funded primarily through the voluntary assessed contributions (VACs) from Parties (69% as of 2010-11), and contributions from donor Parties (18% as of 2010-11). These include the conduct of COP sessions; preparation of protocol, guidelines, and other implementation instruments; reporting arrangements under the Convention;²¹⁵ provision of technical assistance to Parties in the implementation of the Convention; facilitating the exchange of information and best practices;²¹⁶ coordination with international organizations and bodies; mobilization of financial resources; and, management and administration of the WHO FCTC Secretariat as indicated in Article 23.5.²¹⁷ Conference servicing and the meeting of the INBs and COPs are some of the most costly items among the activity costs.

In the past two (2) bienniums, the budget of the FCTC Secretariat has increased by approximately 14-17%, while VAC increased only by 4%. Based on its recent interim performance report, the Convention Secretariat proposed a workplan budget of **US\$17.47 million for the next biennium (2013-2014), while VACs could remain at US\$9.107.**²¹⁸

The table below reflects the trend in the FCTC Secretariat's budget. Budget items from the original budget report are reclassified and re-categorized in order to make them comparable across time. This adjustment is necessary because budget formats have changed from one COP to another to accommodate, among others, Party requests and new items, and to encourage transparency.

Figures in millions of US dollars

Items	COP1	2006-7	COP2	2008-9	COP3	2010-11	2012-13	2013-14
	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>Budget</i>	<i>Actual</i>	<i>COP4</i>	<i>Proposed</i>
I. COP sessions Art. 24.3a	1.858	2.073	1.800	1.613	2.4	2.195	1.56	1.8
II. Reporting System inc Convention Secretariat Art. 24.3 b, c, and d	2.800	0.783	1.865	0.059	1.43	.099	.455	.3

²¹⁵ *Ibid.* 4, Art. 20.5 – Parties should cooperate in regional and international intergovernmental organizations and financial and development institutions of which they are members, to promote and encourage provision of technical and financial resources to the Secretariat to assist developing country Parties and Parties with economies in transition to meet their commitments on research, surveillance and exchange of information. (In addition, Parties should provide the Secretariat with sufficient financial resources to facilitate intergovernmental activities involving research surveillance and exchange of information.)

²¹⁶ The Conference of the Parties shall promote and facilitate transfer of technical, scientific and legal expertise and technology with the financial support secured in accordance with Article 26.

²¹⁷ *Ibid.* 4, Art. 23. 5 – The Conference of the Parties shall keep under regular review the implementation of the Convention and take the decisions necessary to promote its effective implementation and may adopt protocols, annexes and amendments to the Convention, in accordance with Articles 28, 29 and 33. Towards this end, it shall:

- (a) Promote and facilitate the exchange of information pursuant to Articles 20 and 21;
- (b) Promote and guide the development and periodic refinement of comparable methodologies for research and the collection of data, in addition to those provided for in Article 20, relevant to the implementation of the Convention;
- (c) Promote, as appropriate, the development, implementation and evaluation of strategies, plans, and programmes, as well as policies, legislation and other measures;
- (d) Consider reports submitted by the Parties in accordance with Article 21 and adopt regular reports on the implementation of the Convention;
- (e) Promote and facilitate the mobilization of financial resources for the implementation of the Convention in accordance with Article 26;
- (f) Establish such subsidiary bodies as are necessary to achieve the objective of the Convention; and,
- (h) Consider other action, as appropriate, for the achievement of the objective of the Convention in the light of experience gained in its implementation.

²¹⁸ WHO-FCTC (2012). Conference of the Parties to the WHO FCTC: Fifth Session. Seoul, Republic of Korea, 12–17 November 2012. Provisional agenda item 8.2. FCTC/COP/5/20. Published on 8 August 2012. Retrieved from http://apps.who.int/gb/ctc/PDF/cop5/FCTC_COP5_20-en.pdf (last visited 31 October 2012).

Items	COP1	2006-7	COP2	2008-9	COP3	2010-11	2012-13	2013-14
III. Coordination with relevant bodies and administrative arrangements Art. 24.3e & f	1.04	.408	.98 (.4 for needs assessment)	.153	1.8	.036 ²¹⁹	.451	.38
Assistance to Parties					2.6	.360	2.610	
IV. Elaboration of guidelines and protocols and other activities (Art. 24.3g)	1.385	1.216	3.365 (includes INBs)	3.054 ²²⁰	4.6 (includes INBs)	2.085	1.96	1.7
V. Management and administration (promote awareness of treaty)						.222	.22	
Total	8.010	5.063	12.96	11.051	12.840	12.988	14.902	17.47
Salary/staff costs		1.46 (28%)		4.613		6.128	5.942	8.026
Activity		3.01 (59%)		5.555		4.999		7.435
Program support costs 13%	.921	.58		.882		1.860	1.714	2.009
Voluntary assessed contributions (VAC)	8.216	7.477	8.682	9.17	8.757	8.945	9.107	
Extrabudgetary contributions		.200		.737		2.329		
Other sources/income		.0625		.263		.570		
Beginning balance				2.259		1.149		
Available funds		7.739		12.199		12.994		
VAC as a percent of actual budget		146%		83%		69%	61%	
Increase in expenditure						17.5%	14.7%	17.2%
Increase in VACs						4%		

2.2.2. Extrabudgetary Sources

Due to the treaty's expanding needs, the VAC on its own may not be able to sustain treaty operations in the future. Reliance on voluntary extrabudgetary contribution is expected. In fact, in the Secretariat's latest performance report, the European Union (EU) in 2011 provided 5.2 Million euros in extrabudgetary funds for a programme that includes needs assessment and related implementation support for 30 low- and middle-income Parties, as well as support for capacity-building, international cooperation, and information sharing. In addition, Australia contributed AUD900,000 to support Article 6 Working Group's activities that was not covered by the VAC in order to provide needs assessments and assistance to Pacific Island Parties and other developing country Parties, and in order

²¹⁹ Assistance to Parties in implementation is included in this figure: 359,515

²²⁰ Technical assistance to Parties included in this figure: 189,108

to enhance the reporting system and exchange of expertise.

Should the Draft Protocol on Elimination of Illicit Trade of Tobacco be adopted, the Conference Secretariat would be expected to support the said protocol's initial activities. This is expected to place a further strain on the budget and increase the amount of extrabudgetary resources required.

The table below shows some of the sources, uses, and amounts of extrabudgetary contributions to the FCTC Secretariat made in recent years:

Country/ Source	Amount	Purpose	Year
Australia	US\$ 908,109	"needs assessments in Pacific island countries and least developed Commonwealth countries; implementation by developing countries of some key areas of the Convention; the work of the working group on Article 6; and reporting arrangements under the Convention" ²²¹	2011
Australia	US\$ 300,000	"assistance to Parties in the WHO Western Pacific Region" ²²²	
Australia	US\$ 100,000	treaty workshops for the WHO South-East Asia and the Western Pacific Regions ²²³	
Australia	US\$ 205,480	"to strengthen staff capacity in the Secretariat" ²²⁴	
Australia	US\$ 100,000	"to cover additional costs for hosting the third session of the Conference of the Parties (US\$ 464,540)" ²²⁵	2008
Canada	US\$ 66,595	"to organize a workshop on international trade and tobacco control issues for health and trade representatives of Parties in March 2012" ²²⁶	
Canada	US\$ 26,880	"to support activities on trade-related aspects of implementation of the Convention" ²²⁷	2012
Germany	US\$ 166,250	"to support activities of the Secretariat through secondments" ²²⁸	2010-11

²²¹ WHO FCTC (2012). Financial resources and mechanisms of assistance: Report of the Convention Secretariat. FCTC/COP/5/15. 30 September 2012. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_15-en.pdf (last visited 07 October 2013).

²²² WHO FCTC (2012). Financial resources and mechanisms of assistance: Report of the Convention Secretariat. FCTC/COP/5/15. 30 September 2012. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_15-en.pdf (last visited 07 October 2013).

²²³ WHO FCTC (2010). Interim performance report for the 2010–2011 workplan and budget: Report of the Convention Secretariat. FCTC/COP/4/20. 15 August 2010.

²²⁴ WHO FCTC (2012). Financial resources and mechanisms of assistance: Report of the Convention Secretariat. FCTC/COP/5/15. 30 September 2012. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_15-en.pdf (last visited 07 October 2013).

²²⁵ WHO FCTC (2010). Performance report for the 2008–2009 workplan and budget: Report of the Convention Secretariat. FCTC/COP/4/19. 15 September 2010.

²²⁶ WHO FCTC (2012). Financial resources and mechanisms of assistance: Report of the Convention Secretariat. FCTC/COP/5/15. 30 September 2012. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_15-en.pdf (last visited 07 October 2013).

²²⁷ WHO FCTC (2012). Interim performance report for the 2012–2013 workplan and budget: Report of the Convention Secretariat. FCTC/COP/5/20. 8 August 2012.

²²⁸ WHO FCTC (2012). Financial resources and mechanisms of assistance: Report of the Convention Secretariat. FCTC/COP/5/15. 30 September 2012. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_15-en.pdf (last visited 07 October 2013).

Country/ Source	Amount	Purpose	Year
Netherlands	US\$ 937,436	“to support activities of the Secretariat through secondments” ²²⁹	2009-12
Netherlands	US\$ 173,228	“to cover additional costs for hosting the third session of the Conference of the Parties (US\$ 464,540)” ²³⁰	2008
Netherlands	US\$ 262,357	“to cover additional costs for hosting the fourth session of the Conference of the Parties (US\$ 747,000)” ²³¹	2008
Netherlands	US\$ 324,461	“for staff costs” ²³²	2012
Republic of Korea	US\$ 806,245	“to cover additional costs for hosting the fifth session of the COP (US\$ 806,245)” ²³³	2012
European Union	US\$ 4,163,205	“to support implementation of the Convention, in particular in developing countries”	2012
US CDC	US\$ 28,250	“to support reporting arrangements under the Convention” ²³⁴	

2.2.3. Opportunity Costs

Estimate of opportunity costs are not available. Such costs include foregone value of a desired tobacco control activity that would have been undertaken if sufficient funds were available. The desired tobacco control activity can be determined by the activities that Committee A and B of the COPs identified through consensus.

Typically, budget gaps lead to trade-offs where core treaty activities, such as organizing the COP and subsidiary bodies, are given priority. To illustrate, COP3 had come to this point in trading off priorities in order to address the projected budget gap in 2008-9.²³⁵ Trade-offs are also made among and within core treaty activities, and this is reflected in downward adjustments for core treaty activities.

To illustrate, for the said 2008-9 period, a total of \$7.45 Million was allocated for the 3 INBs and the

²²⁹ WHO FCTC (2012). Financial resources and mechanisms of assistance: Report of the Convention Secretariat. FCTC/COP/5/15. 30 September 2012. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_15-en.pdf (last visited 07 October 2013).

²³⁰ WHO FCTC (2010). Performance report for the 2008–2009 workplan and budget: Report of the Convention Secretariat. FCTC/COP/4/19. 15 September 2010.

²³¹ WHO FCTC (2010). Interim performance report for the 2010–2011 workplan and budget: Report of the Convention Secretariat (addendum). FCTC/COP/4/20 Add.1. 3 November 2010.

²³² WHO FCTC (2012). Interim performance report for the 2012–2013 workplan and budget: Report of the Convention Secretariat. FCTC/COP/5/20. 8 August 2012.

²³³ WHO FCTC (2012). Interim performance report for the 2012–2013 workplan and budget: Report of the Convention Secretariat. FCTC/COP/5/20. 8 August 2012.

²³⁴ WHO FCTC (2012). Financial resources and mechanisms of assistance: Report of the Convention Secretariat. FCTC/COP/5/15. 30 September 2012. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_15-en.pdf (last visited 07 October 2013).

²³⁵ FCTC/COP3(21) Recommendation by Committee B

The Conference of the Parties DECIDED to approve the recommendation by Committee B that, should the projected budget gap for the period 2008–2009 of about US\$ 1 035 000 occur as projected, the Convention Secretariat should give priority to the organizing of the work of the Conference of the Parties and its subsidiary bodies. (Fourth plenary meeting, 22 November 2008)

intersessional meeting. Of this amount, only 1.675M (1.5M from EU and 0.175 from Australia) were sourced from extrabudgetary contributions; the bulk was financed through VACs. Subsequently, at COP4, savings from various budget items for the 2012-13 were accumulated to provide funding for the intersessional session of the INB in accordance with the rules of procedure.²³⁶ The following were bartered away in the course of cost-cutting:

- i. Not budgeting for two (2) new working groups (Article 6 was identified; another potential article is Article 19);
- j. Not budgeting for an expert group on cross-border advertising;
- k. Reduction in travel support (by harmonizing travel policies); and,
- l. Removal of evening sessions at the COP5.

Ultimately, VACs were used to contribute to items previously funded exclusively through extrabudgetary contributions.²³⁷

Since core activities (potential working group on Article 6 and expert group on cross-border advertising) were foregone in favor of work related to the Illicit Trade Protocol, some Parties cautioned that.²³⁸

- g. The draft protocol on illicit trade should not be accorded priority over core activities under the Convention, such as assistance to low-income Parties and technical cooperation;
- h. Decisions of Committee A should be taken into account. (The approach taken at COP4 was to modify the decision of Committee A in line with the budget.)
- i. Innovative financing sources should be recognized, such as international taxes and global funds.

2.2.4. Cost of Tobacco Industry Interference

Another cost that has yet to be determined is the cost of addressing potential tobacco industry interference or preventing it in a global scale. The tobacco industry has taken advantage of the funding gaps in international cooperation to implement the FCTC by directly funding tobaccocontrol-related activities, such as Interpol's enforcement activities²³⁹ (e.g., 15 Million Euros from Philip Morris), or

²³⁶Rules of Procedure: Rule 12

1. The Secretariat shall report to the Conference of the Parties on the administrative, financial and budgetary implications of all substantive agenda items submitted to the session, before they are considered by the Conference.
2. Unless the Conference of the Parties decides otherwise, no such substantive agenda item shall be considered until at least forty-eight hours after the Conference of the Parties has received a report from the Secretariat on its administrative, financial and budgetary implications.

Rule 13

Any item on the agenda of a regular session, that has not been considered or completed at the session, shall automatically be included in the provisional agenda of the next regular session, unless otherwise decided by the Conference of the Parties.

²³⁷ WHO-FCTC (2010). *Conference of the Parties to the WHO Framework Convention on Tobacco Control: Fourth Session. Report of Committee A (Draft)*. Punta del Este, Uruguay, 15–20 November 2010. (Draft) FCTC/COP/4/28. Published on 20 November 2010. Retrieved from http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_28draft-en.pdf (last visited 31 October 2012).

²³⁸ WHO FCTC (2009). *Conference of the Parties to the WHO Framework Convention on Tobacco Control: Third Session*. Durban, South Africa, 17-22 November 2008. FCTC/COP/3/DIV/3. Published on 16 February 2009. Retrieved from http://apps.who.int/gb/fctc/PDF/cop3/FCTC_COP3_DIV3-en.pdf (last visited 31 October 2012).

²³⁹ “Launched in June 2012, the INTERPOL Trafficking in Illicit Goods and Counterfeiting Programme works to identify, disrupt and dismantle transnational organized networks behind the trafficking of illicit goods... **Philip Morris International has pledged EUR 15 million** over a three-year period to help develop the programme... The following countries and territories had previously taken part in the INTERPOL-led operations: Black Poseidon II (Belarus, Moldova, Poland, Romania, Turkey, Ukraine); Etosha (Namibia); Hurricane (China, Hong Kong, Fiji, India, Indonesia, Philippines, Thailand, Vietnam); Pacific (Brazil, Chile, Columbia, Ecuador, Panama, Peru).” – Sources: Interpol (2013). Organized crime networks smashed in series of INTERPOL-led operations

indirectly supporting programs, such as the International Labour Organization's anti-child labor campaign through the International Program on the Elimination of Child Labour (IPEC).²⁴⁰ Such a situation potentially creates conflict of interest situations, and could lead to potential violations of Art 5.3 for participating or beneficiary countries.²⁴¹

2.2.5. Costs Incurred by the WHO TFI

Sufficient information is not available to present estimates for the WHO TFI— a department housed under the Non-communicable disease and Mental Health (NMH) cluster in the WHO. The budget allocations reflected in the approved program and budget of the WHO contains allocations by clusters, but do not reflect allocations for specific departments within a cluster. Therefore, while the budgetary allocations for the NMH cluster are available, this does not reflect the allocations for the TFI within that cluster, though tobacco control is a significant component of the program under the NMH. It should also be noted that the TFI department has been discontinued after an internal restructuring whereby a new department on Prevention of Non-communicable Diseases (PND) has been established in the NMH cluster with dedicated units on tobacco control.

2.3. Challenges in Resource Mobilization

Survey respondents were asked to indicate their views on areas of treaty implementation that would best support domestic implementation. Only one (1) out of thirteen (13) respondents disagreed that international cooperation is helpful for domestic implementation. Technical assistance as an output of international cooperation was regarded as “most important” by eleven (11) out of fourteen (14) respondents. Nine (9) out of thirteen (13) respondents identified financial assistance as “very important.” Between seven and eight (7-8) of fourteen (14) view as “very important” the establishment of a global fund, exchange of information on specific issues, like graphic health warning (GHW), alternative livelihood, and cooperation for financial assistance. Exchanging information on specific issues was considered more important than exchanging information on broad issues. Some respondents viewed the development of a protocol or guideline as “important” but not “very important.”

targeting illicit trade. Retrieved from <http://www.interpol.int/en/News-and-media/News-media-releases/2013/PR085> (last visited 17 October 2013); Framework Convention Alliance (2013). Industry-INTERPOL deal signals challenges to illicit trade protocol. Retrieved from <http://www.ftc.org/index.php/news-blog-list-view-of-all-214/illicit-trade/976-industry-interpol-deal-signals-challenges-to-illicit-trade-protocol> (last visited 14 October 2013).

²⁴⁰ “ILO-IPEC works in partnership with and receives financial support from global tobacco companies through the Elimination of Child Labor in Tobacco Growing Foundation (ECLT), a tobacco industry funded group. . . Beginning in 2002, ECLT financially supported ILO-IPEC projects to reduce tobacco-related child labor in countries such as the Dominican Republic, Indonesia, and Tanzania. . . ECLT on its website states that the International Labor Organization plays an advisory role to ECLT. On ILO-IPEC website, ECLT is listed as a donor to ILO-IPEC in 2002-3 and 2006-7.” – **Source:** Otañez, Marty (2008). Social disruption caused by tobacco growing. Study conducted for the 2nd meeting of the Study Group on Economically Sustainable Alternatives to Tobacco Growing - WHO Framework Convention on Tobacco Control. Mexico City, Mexico, 17-19 June 2008. Retrieved from <http://www.laborrights.org/sites/default/files/publications-and-resources/social-disruption-caused-by-tobacco-growing.pdf> (last visited 15 October 2013).

²⁴¹ A similar situation involving Global Funds that is coursed to an NGO that has PM as a member has lead advocates to question Philippine's commitment to Art 5.3. Global recognition of tobacco industry contributions such as in the Global Compact may have aggravated the situation and promote as norm the receiving of funds from tobacco industry which is contrary to the principles espoused when concerns were raised about Interpol's acceptance of PM money at COP5. – **Sources:** Framework Convention Alliance (2012). Interpol application for observer status raises questions. FCA Bulletin Issue 117. Retrieved from http://www.ftc.org/index.php/component/docman/doc_view/518-bulletin-issue-117?Itemid= (last visited 16 October 2013); Corporate Accountability International (2008). Protecting against Tobacco Industry Interference: The 2008 Global Tobacco Treaty Action Guide. Retrieved from <http://www.stopcorporateabuse.org/sites/default/files/resources/global-tobacco-treaty-action-guide-2008.pdf> (last visited 14 October 2013).

Survey respondents were also asked to present their views on the importance of specific forms of potential areas of international cooperation that have been done or discussed in the past but are currently not in the budget or unfunded. Ten to eleven (10-11) respondents identified certain activities that could be jointly pursued by the Convention Secretariat with other organizations for which currently there is no budget available. Some of these activities are: joint activity with the WTO Secretariat to assess the negative impact of free tobacco trade; joint activity with the United Nations Conference on Trade and Development (UNCTAD) to monitor and evaluate investments of top tobacco transnationals; joint intergovernmental initiatives on addressing NCDs and reaching MDGs; and, collaboration on WHO's initiative and consultations on innovative financing for health systems and research and development (R&D).

In view of the perceived need for activities at the global level that are currently unfunded, there is a need to ensure that the FCTC Secretariat has sufficient financial resources for such activities. However, as the discussion below points out, the limited budget and extrabudgetary support available to the FCTC Secretariat is a major constraint in this respect.

It was observed by a donor country in a KII that donors would not be attracted to fund activities that the FCTC Secretariat facilitates, e.g., needs assessments, etc.. This is because donors want priority needs and result-oriented interventions to have been already identified and defined, respectively. Donors want to have most value for money and result-oriented interventions, as well as to raise the political profile of tobacco control. Consequently, donors would prefer to focus on identified needs and provide technical assistance to address those needs, rather than on the process of assessing needs.

However, it was observed in a KII by another donor country that in terms of mechanisms of financial assistance, providing funds through extrabudgetary contributions seemed the most feasible strategy to pursue since many governments are not in favor of earmarking taxes. KIIs with two (2) donor Parties suggested that what areas of tobacco control activities can benefit from international cooperation and for which activities additional financial mechanism may be required depends on what are the priorities of countries, how much those activities will cost, and the gap in resources. Donors view needs assessment as an important exercise for this.

It was observed that there is scope for more needs assessments to be done. It is critical to review how the needs assessments are conducted—whether the process responds to the kind of issues that will enable countries to identify their tobacco control needs and priorities as well as the cost for implementing such activities. The recent meeting of the Working Group recommended that the Convention Secretariat should undertake a qualitative analysis of the needs assessments.

2.3.1. Budget

The scope of core activities that can be done is naturally limited by the availability of budget. One of the KIIs pointed out that while the WHO TFI has a very good infrastructure, the Convention Secretariat is severely underfunded. It has no regional or country office; hence, it has to rely on the WHO mechanism for implementation of the FCTC. While some philanthropic organizations have made significant funding contribution to the WHO for tobacco control work and although the WHO has increased its budget, the fund of the FCTC Secretariat has not increased substantially. Though the FCTC Secretariat is funded by VACs, thirty (30) Parties have not paid, and the budget continues to be limited.

This has in recent years been augmented through extrabudgetary contributions. In some cases, the

extrabudgetary funds contributed are earmarked for specific use, such as for assistance to specific countries or for the INBs as desired by the donor, instead of being contributed in accordance with the priority areas or activities identified by the Parties during COP sessions. For instance, funding for the INB on the protocol to eliminate illicit trade was available, but the budget for a working group on other substantive articles was not. The lack of predictability and stability in the flow of funds tends to slow down treaty activities. In some cases, the imbalance in the allocation of funding results in a situation where donors' choices of what specific treaty or international activities to fund become those which gain priority status.

As discussed above, during the COP3, the Secretariat noted that certain treaty activities and secretariat functions would be subject to the availability of extrabudgetary resources: inter-country exchanges of information and technical assistance; broader international cooperation; South-South cooperation; assistance to be provided to Parties in meeting their reporting obligations; greater engagement with the work of the United Nations Ad Hoc Interagency Task Force on Tobacco Control; and, decisions adopted by the COP with regard to resources, assistance, and international cooperation.²⁴²

At the COP4, the additional working group on Article 6 and the expert group on cross-border advertising proposed by Committee A were not guaranteed a budget due to the restrictive budgetary climate and competing demands. While both activities appear in the workplan, the COP decided to place a footnote to indicate that the activities will be undertaken, subject to the availability of extrabudgetary resources.

Not only does limited funding lead to budgetary cuts for current activities, it also limits the potential to expand the work that can be done to promote treaty compliance. During the COP3, India proposed the establishment of a standing compliance body for the FCTC. The budgetary implication of such a proposal was estimated at a maximum of US\$1.415 million. Due to budgetary constraints at the time, however, there could be no opportunity to meaningfully consider and discuss the proposal.

The lack of predictability and stability in the flow of funds tends to slow down treaty activities. In the Secretariat's Performance Report for the COP5, the Secretariat noted that four (4) tasks were partially accomplished due to the need to raise substantial extrabudgetary resources. Most affected are key treaty activities mandated by the COP3: needs assessments; regional workshops; agreements with international organizations; and South-to-South cooperation—all of which involved support or some form of assistance for developing countries.

2.3.2. Role of the COP

The COP has long recognized the importance of funding and financial assistance for treaty implementation. This continued from a robust debate during the FCTC negotiations. It was observed by a donor Party in an interview that the creation of a tobacco fund was very widely discussed during the negotiations of the FCTC, but it was opposed by a number of countries in view of the experience of the Global Fund and the role of vertical funds vis-à-vis integration of health systems in national budgets. Hence, it was decided not to establish such a fund, and instead do a mapping exercise and voluntary support from donors to provide additional financing, as and when needed, based on a request by a Party. However, the COPs' response to the dire lack of funding has been slow.

²⁴² WHO-FCTC (2009). Conference of the Parties to the WHO Framework Convention on Tobacco Control: Third Session. Durban, South Africa, 17-22 November 2008. FCTC/COP/3/DIV/3. Published on 16 February 2009. Retrieved from http://apps.who.int/gb/fctc/PDF/cop3/FCTC_COP3_DIV3-en.pdf (last visited 31 October 2012).

Based on the General Obligations under Art. 5.6, to “within means and resources at their disposal, cooperate to raise financial resources for the effective implementation of the Convention through bilateral and multilateral funding mechanisms,”²⁴³ the COP 1 and 2 decided that existing financial resources must first be tapped.²⁴⁴ Accordingly, the Secretariat has listed available sources of funding to facilitate the implementation of their obligations under the Convention.²⁴⁵ To date, there has been no information regarding the effectiveness or specific quantifiable amounts resulting from this exercise, and the Working Group has been identified as a forum to review this.²⁴⁶

The COP1 reviewed the existing and potential sources and mechanisms of assistance including a proposal for a global fund. Although many Parties supported the establishment of a global fund, several Parties pushed for assessing the needs and exploring existing sources of development assistance. The COP1 then decided that a needs assessment was necessary to further determine the financing required to implement the treaty.²⁴⁷

However, based on more recent COP decisions,²⁴⁸ the strategy for financing treaty operations is to ask the Secretariat to seek extrabudgetary contributions from all sources and to urge Parties to provide them. On the other hand, the strategy for providing financial support for developing countries is to maximize the potential of existing funding sources through needs assessment and development of project proposals. This also includes calling on developed Parties to include support for FCTC implementation as an eligible area of bilateral assistance programmes, if this can be qualified as ODA.²⁴⁹

Specifically, from the first to the fourth sessions of the COP or beginning 2006, the COP has employed the following strategies to mobilize financial resources for developing countries:

- a. Called on developed country Parties to provide support to developing Parties through bilateral, regional, international, or nongovernmental channels;²⁵⁰
- b. “Urged developed countries, international financial institutions, international organizations

²⁴³ *Ibid.* 4, Art. 5.6.

²⁴⁴ WHO-FCTC (2012). Conference of the Parties to the WHO-FCTC: Fifth Session. Financial resources and mechanisms of assistance: Report of the Convention Secretariat. Seoul, Republic of Korea, 12-17 November 2012. Provisional agenda item 7.2. FCTC/COP/5/15. Published on 30 September 2012. Retrieved from apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_15-en.pdf (last visited 04 November 2012).

²⁴⁵ *Id.*

²⁴⁶ See FCA policy brief on Mechanisms of Assistance Available at www.fctc.org

²⁴⁷ WHO-FCTC (2006). Conference of the Parties to the WHO FCTC: First Session. Review of existing and potential sources and mechanisms of assistance: Note by the Secretariat. Provisional agenda item 4.5. A/FCTC/COP/1/4. Published on 9 January 2006. Retrieved from http://apps.who.int/gb/fctc/PDF/cop1/FCTC_COP1_4-en.pdf (last visited 31 October 2012).

²⁴⁸ See, for example, WHO FCTC (2007). Decisions: FCTC/COP2(10) Financial resources and mechanisms of assistance. A/FCTC/COP/2/DIV/9. 20 September 2007. Retrieved from http://apps.who.int/iris/bitstream/10665/75612/1/FCTC_COP2_DIV9-en.pdf (last visited 17 December 2013).

²⁴⁹ WHO FCTC (2010). Decisions: FCTC/COP4(17) Financial resources, mechanisms of assistance and international cooperation. FCTC/COP/4/DIV/6. 6 December 2010. Retrieved from http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_DIV6-en.pdf (last visited 17 December 2013).

²⁵⁰ The COP called on developed country Parties, in accordance with their obligations under the Convention, to provide technical and financial support to developing country Parties and Parties with economies in transition for this purpose, through bilateral, regional, international or nongovernmental channels.

- and other development partners to channel resources, based on specific requests”;²⁵¹
- c. Called on developed Parties to include support for the implementation of the WHO FCTC as an eligible area of bilateral assistance programmes, provided this assistance can be qualified as ODA;²⁵²
- d. Involved international development partners to bring the FCTC implementation within the UN Development Assistance Framework at the country level... and to strengthen collaboration;²⁵³ and,
- e. Linked needs assessment activities to accessing existing donor and development resources.

The COP5’s action in establishing a Working Group that will assess the abovementioned mechanisms of assistance in order to make a recommendation to COP6 is considered a milestone by tobacco control advocates.²⁵⁴ The mandate of the Working Group is sufficiently broad and can include expanding the funding strategy to include innovative ideas.

In its first meeting in October 2013, the Working Group discussed mobilizing resources and recommended establishing a sustainable funding mechanism in line with Article 26 and the guidelines on Article 6 of the FCTC in order to support tobacco control through resource mobilization at the country level. It was also agreed that a questionnaire be developed under the guidance of the key facilitators and circulated to Parties to gather their inputs based on their respective experiences in barriers and successes in resource mobilization.

From the foregoing discussion, despite the action and strategies that have been taken by the COPs so far, in recognizing the funding gap, the problem remains evident and there is no stable and predictable source of funds to meet the growing needs of treaty implementation at all levels (national, international, and impact costs).

Due to the limited funding for core activities and activities in the preceding years, Parties are constrained generally to repeat the same activities (with the exception of the INBs), instead of investing in evaluating existing activities, or exploring new ways to generate country-level resources, or undertaking new international activities (such as joint activities with other multilateral agencies discussed below).

3. Benefits of Additional Sources of Funds for Treaty Activities

Budgets of various treaties, such as the UN Framework Convention on Climate Change, Convention on Biological Diversity, UN Convention to Combat Desertification, and Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal, have doubled and even tripled in a span of 10 years. The current budgets of these treaties range from approximately \$20 to \$50 million. This excludes trust funds that are administered under the treaty for supplementary activities,

²⁵¹ Framework Convention Alliance (2008). Technical and Financial Assistance: The Work of the Conference of the Parties. Retrieved from <http://www.fctc.org/index.php/what-is-the-fctc-5/the-work-of-the-fca/technical-and-financial-assistance/the-work-of-the-cops> (last visited 15 December 2013).

²⁵² WHO FCTC (2010). Decisions: FCTC/COP4(17) Financial resources, mechanisms of assistance and international cooperation. FCTC/COP/4/DIV/6. 6 December 2010. Retrieved from http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_DIV6-en.pdf (last visited 17 December 2013).

²⁵³ WHO FCTC (2010). Performance report for the 2008–2009 workplan and budget: Report of the Convention Secretariat. FCTC/COP/4/19. 15 September 2010. Retrieved from http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_19-en.pdf (last visited 17 December 2013). p. 7.

²⁵⁴ See FCA Bulletin COP 5, FCA Policy Briefs on Mechanisms of Assistance, www.fctc.org

participation, or technical cooperation.

As more financial resources are available in these treaties, more treaty activities could be undertaken. In the UNFCCC 2012-2013 budget, for instance, the core budget of 48.5 million is devoted to programmes and secretariat operations. The Trust Fund for Supplementary Activities finances the implementation of specific programmes and provisions, conduct of workshops, other forms of capacity-building in developing countries, and support for committees of the conventions and protocol. The Trust Fund for Participation in the UNFCCC Process provides, among others, support for one delegate from each eligible Party plus a second delegate from each least developed country and each small island developing state to participate in organized sessions.²⁵⁵

²⁵⁵ See Programme budget for the biennium 2012-13, Draft Decision /CP.17

ANNEX H

Exploring the Potential Impact of Incremental Funding

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This section discusses the possible impact of incremental funding and seeks to fulfill the research objective of determining the potential impact of making incremental funding available through proposed financing mechanisms.

Potential impact would depend on the amount of incremental funding raised, the impact on the ones on whom the burden is imposed, and the tobacco control activities that benefit from the funding. There are numerous possible innovative financing mechanisms and they vary greatly in nature. Hence, this paper begins with narrowing down the selection into practical choices, and then lays the basis for target amounts by establishing practical targets or benchmarks. It also illustrates their potential financial implications on countries, and discusses how incremental funds might be used.

1. Selecting the Innovative Financing Mechanism (IFM): Results of Survey

For purposes of illustrating scenarios, the amount of incremental funding to be raised is projected based on the proponent's models with some modifications. While survey data and review of Party reports were used to determine the tobacco control activities that are likely to benefit from incremental funding.

A key consideration is the input of the survey respondents. Although the number of respondents is small and not representative of the whole population of the Parties to the Framework Convention on Tobacco Control (FCTC), their responses—when they were asked to choose among the various types of IFMs that are most discussed in various fora—consistently identified IFMs that impose the burden on the tobacco industry.

Compared to other sources of financing, like levy on alcohol, arms trade, airline/ travel, carbon emissions, financial transaction, voluntary contributions, mandatory contributions, consumer activity, debt reduction strategies, and burden on certain category of countries (such as low-, middle-, high-income), of which only zero to three (0-3) respondents marked “very important,” an IFM that puts the burden on the tobacco industry stood out. Ten (10) of eleven (11) countries indicated that ensuring the tobacco industry bears the burden is “very important.” The choices include very important, important, neutral, or least important.²⁵⁶

For purposes of this study, the IFMs selected will be the two proposals that involve imposing a burden on the tobacco industry, tobacco activity, or tobacco consumption, namely: (a) solidarity tobacco levy (STL) or solidarity tobacco contribution (STC); and, (b) tax on repatriated tobacco profits (TRTP).

2. Solidarity Tobacco Levy (STL) and Tax on Repatriated Tobacco Profits (TRTP)

In studying the viability of tobacco taxes as a solidarity contribution that was recommended by the Taskforce on Innovative International Financing for Health Systems,²⁵⁷ the World Health Organization (WHO) proposed what is now known as solidarity tobacco levy (STL) or solidarity tobacco contribution (STC). According to the WHO, if G20+²⁵⁸ countries would introduce an additional US\$0.50, US\$0.03, and US\$0.01 in high-income, upper-middle-, and lower-middle-income country members, respectively, as an STL for each pack of twenty (20) cigarettes, a total of US\$5.47 billion in additional revenue could be raised to fund international activities for tobacco control.

Aside from the WHO STL, a levy on the remittance of overseas profits to transnational tobacco producers has been suggested by Callard and Collishaw (2011), which is expected to yield US\$200 million per year to support FCTC implementation. This proposed levy, called tax on repatriated tobacco profits (TRTP), is pegged initially at 1.0%. According to the said authors, a ten-fold increase of this TRTP could provide additional funds to support global non-communicable disease (NCD) interventions and can match the US\$2 billion originally proposed by the WHO through the STL.²⁵⁹

3. Projections Based on Practical Targets: Assumptions

²⁵⁶ In addition, four to six (4-6) of the survey respondents consider donor institutions and private sector contribution to be “very important” sources of innovative financing. Examples of such initiative include the Global Fund, of which public health officials, such as the survey respondents, are very familiar with. However, these types of fund-pooling mechanisms will not be discussed in this study since these do not point to a specific source of the fund.

²⁵⁷ Taskforce on Innovative International Financing for Health Systems. More Money for Health, and More Health for the Money. Retrieved from http://reliefweb.int/sites/reliefweb.int/files/resources/95113F26A1B30CC049257640001EB91C-IHPtaskforce_Sep09.pdf (last visited 27 November 2013).

²⁵⁸ G20+ countries include the following: Argentina, Australia, Austria, Belgium, Brazil, Bulgaria, Canada, Chile, China, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Italy, Japan, Latvia, Lithuania, Malta, Mexico, Netherlands, Norway, Poland, Portugal, Romania, Republic of Korea, Russia, Saudi Arabia, Slovakia, South Africa, Spain, Sweden, Turkey, United Kingdom, and United States.

²⁵⁹ Callard, Cynthia & Collishaw, Neil (2011). Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes.

3.1. Design

This paper builds upon the two proposals, STL and TRTP, to determine the amount that may be raised from them, and to illustrate their potential financial impact on various participating countries.

Modified versions of the WHO STL are presented using different sets of countries based on identified assumptions. The TRTP is then compared to these different simulations.

3.2. Data

This study utilized estimates of cigarette sales of various countries from the 2012-2013 Euromonitor Cigarette Report, and also adopted the World Bank's classification of different countries according to their income: high-income (HIC), upper-middle-income (UMIC), and lower-middle-income countries (LMIC). All data are 2011 figures, including the 2011 population data from the World Health Statistics 2013, and the estimates of 2011 smoking population from the 2012-2013 Euromonitor Cigarette Report. In addition to these data which were primarily used for the modified WHO STL simulations, this paper also utilized data from Callard and Collishaw's research for the TRTP simulation, particularly, estimated dividend payments from transnational tobacco companies in 2009.

3.3. Benchmarks

Certain "benchmarks" were used to derive practical targets and to aid in making projections. An example of this benchmark is that of Bill Gates who projected the WHO STL to raise funds for global health at US\$10 billion per year. Another is from Callard and Collishaw who estimated that a TRTP of 1% could raise US\$200 million a year for tobacco control.

The third identified benchmark deals with the estimated national tobacco control expenditures of certain developing countries, which according to the WHO, is pegged at US\$14 million per year (versus their total tobacco tax revenues of about US\$66.5 million annually).²⁶⁰ The fourth measure is the FCTC Secretariat's annual budget of about US\$17.5 million. The fifth is the total development assistance for tobacco control due to contributions from private philanthropies at US\$44.2 million as of 2009.²⁶¹

Further, the costs of cost-effective tobacco control interventions for low-middle-income countries are estimated at US\$620 million annually, with only less than US\$65 million per year actual expenditure by these nations to address the tobacco epidemic. Moreover, a total of US\$6 to US\$19 billion per year is needed for cost-effective interventions, nicotine replacement therapy (NRT), and cigarette price increase for developing countries. This estimate is conservative because the cost of smoking to society, like in the United Kingdom, is said to be at US\$21.9 billion annually.²⁶²

Lastly, the Tobacco Master Settlement Agreement²⁶³ (MSA) of about US\$8.2 billion per year (or US\$206 billion) for twenty-five (25) years beginning 1998 is another important measure. This is broken down

²⁶⁰ World Health Organization (2008). WHO Report on the Global Tobacco Epidemic: The MPOWER Package. Retrieved from http://www.who.int/tobacco/mpower/mpower_report_full_2008.pdf (last visited 27 November 2013). p. 12.

²⁶¹ Ross, Hana and Stoklosa, Michal (2012). "Development Assistance for Global Tobacco Control." *Tobacco Control*. Vol. 21. doi:10.1136/tc.2011.043380. Retrieved from <http://tobaccocontrol.bmj.com/content/21/5/465.full.pdf+html> (last visited 29 November 2013). p. 465.

²⁶² Action on Smoking and Health (2013). The Economics of Tobacco. ASH Fact Sheet. Retrieved from http://www.ash.org.uk/files/documents/ASH_121.pdf (last visited 28 November 2013).

²⁶³ Wilson, Joy Johnson (1999). Summary of the Attorneys General Master Tobacco Settlement Agreement. Retrieved from <http://academic.udayton.edu/health/syllabi/tobacco/summary.htm> (last visited 16 December 2013).

into the Strategic Contribution Fund of US\$8.61 *from* 2008-2017, plus US\$1.5 billion per year for ten years for the National Association of Attorneys General.

3.4. Practical Targets

Based on the said benchmarks, five (5) practical target amounts were identified to aid in making projections for the modified STL proposal and the TRTP, as follows:

- 3.4.1. **\$20M/year:** This amount is likely to approximate the FCTC Secretariat's budget in the coming years, and represents about half of the developmental assistance in 2009.
- 3.4.2. **\$50M/year:** This amount is close to the total developmental assistance for tobacco control in 2009, and is within the range of the amount spent by two major transnational tobacco companies for their corporate social responsibility (CSR), i.e., \$60M. If an incremental \$50M/year could be raised, this would double the developmental assistance available for tobacco control and would accelerate FCTC implementation.
- 3.4.3. **\$100M/year:** \$100M signifies doubling the development assistance for tobacco control.
- 3.4.4. **\$600M/year:** This amount represents the estimated cost of cost-effective tobacco control interventions for low-middle-income countries. It can fill the gap in amount needed by developing countries to implement cost-effective tobacco control measures at US\$550 million per year; and,

\$1B/year: This amount is equivalent to 66% of the amount contributed annually (for 10 years) to the National Association of Attorneys General under the Master Settlement Agreement, and could be used as a pool of funds for legal resources. It is large compared to the money that currently goes to tobacco control, but is actually small compared to the US\$6 to US\$19 billion annual funding requirement for cost-effective interventions, NRT, and cigarette price increase for developing countries.

4. Tobacco Control Activities that May Benefit from Increased Funds

The results of the survey are consistent with responses made in the FCTC Party reports. Essentially, the Parties prioritized and highlighted the following activities in their reports:

- g. Awareness-Raising
- h. Law Enforcement
- i. Capacity-Building
- j. Research
- k. Legal Assistance
- l. Outreach to other government agencies

In the survey, eleven to fourteen (11-14) of fifteen (15) respondents agreed that awareness-raising, law enforcement, and capacity-building are "very important," while seven (7) agreed that research, legal assistance, and outreach to other agencies are "very important." Alternative livelihood and building

alliances with civil society organizations (CSOs) and academe are viewed as “important” instead of “very important.”

The survey also indicated an overwhelming support for placing incremental funding for tobacco control in country-level implementation. Nevertheless, respondents unanimously agreed that multi-sectoral cooperation at the international level will lead to better FCTC implementation at the domestic level.

Activities	Very Important	Important	Neutral	Not Important
Law enforcement	14	1	0	0
Awareness campaigns	12	3	1	0
Regulatory initiatives (policy advocacy and consultations)	10	4	0	0
Alternative livelihood	2	9	2	1
Research (opinion polls, impact assessment)	7	7	1	0
Capacity-building	11	4	0	0
Legal assistance (policy drafting, litigation)	7	6	0	0
Building alliances with stakeholders, such as civil society organizations and academe	5	8	0	0
Outreach to other government agencies	7	6	1	0
Others	3	0	0	0

In case of multi-sectoral cooperation at the international level, responses from the survey indicated that activities that are likely to be prioritized at the global level would be on illicit trade (e.g., World Customs Organization), trade and investment (e.g., United Nations Conference on Trade and Development, WHO), economics (e.g. World bank, Asian Development Bank), Millennium Development Goals (e.g., UN General Assembly), IFMs (e.g. WHO, Task Force), regional cooperation (e.g., Association of Southeast Asian Nations). These are perceived by respondents as the most important issues.

Based on Party priorities, it is likely that incremental funding will be infused into the tobacco control activities at the domestic level, with particular focus on awareness-raising, law enforcement, and capacity-building. Any amount of incremental fund from innovative financing sources would likely make a positive public health impact especially if the focus is on cost-effective measures. An amount as small as \$200,000 invested in advocacy could make a difference in tobacco control policy in developing nations.²⁶⁴ However, this amount would be too small for awareness-raising activities that include mass media campaigns or smoking-cessation programs.

Should there be any agreement that incremental funds should be pooled to scale up activities at the global level, then financial contributions are more likely to be made in the fields of illicit trade, trade and investment, economics, and financing.

Notably, alternative livelihood, which is perennially a key concern for developing tobacco-producing countries, is not likely to be a priority among the many varied concerns.

²⁶⁴ Bloomberg Initiative To Reduce Tobacco Use Grants Program. What we fund. Retrieved from http://www.tobaccocontrolgrants.org/Pages/40/What-we-fund?who_region=&country_id=&amount=2&date_type=&date_from=&date_to=&viewall=View+All (last visited 29 November 2013).

There are other potential/ novel activities that are not considered in this study but may have significant value. This includes a global awareness-raising campaign that includes mass media (e.g., international networks), or a potential global campaign to replace the tobacco industry's so-called CSR.²⁶⁵

5. Amounts Raised and Financial Implications

Practical targets of \$20 million, \$50 million, \$100 million, \$600 million, and \$1 billion could be raised through the STL and, to a limited extent, through the TRTP. Generally, the amount of levy would increase as fewer countries participate and as higher amounts are targeted. The tables in this section illustrate how this would play out.

The STL proposal to impose a levy on cigarette packs (e.g., 2 cents for LIC, 6 cents for MIC, and 10 cents for HIC) has been criticized as burdensome to poorer countries.²⁶⁶ Hence, the modified STL will be one that tries not to oblige middle-income countries, including UMICs.

In reality, the simulation may play out, as follows: HICs would provide mandatory contribution, while MICs would provide only voluntary contribution; the latter, however, may be required to review the possibility of mandatory contribution. LICs are primarily recipients which need not participate in contributing to the fund, but could look into making voluntary contributions in the future.

Assuming participation of all FCTC Parties, the possible classifications considered in this study are:

- All HICs
- Countries with tobacco industry headquarters/main offices (big 3)
- Countries with tobacco industry headquarters (including China)

The table below reveals that even if only high-income FCTC Parties would be required to participate in the STL, and the amount levied is only 2 cents (or \$.0197) per pack of cigarette, more than \$1 billion could be raised.. Assuming that 1 billion should be raised and, if only high-income countries that house tobacco industry headquarters would be included, this amount would go up to \$0.0265, or roughly 3 cents per pack if rounded up. Adding China to this group of countries would significantly reduce this figure to \$0.0067, or less than 1 cent per pack, owing to China's significant volume of cigarette consumption.

These amounts would naturally be reduced to 10% its value if only \$100 million is to be raised. For instance, the figures would be \$.002 per pack or roughly 1/5 of 1 cent for HIC, and \$.00265 per pack or roughly 1/4 of 1 cent for HIC that has tobacco company headquarters.

The table below illustrates how the thirty one (31) HIC countries could participate in the STL to raise \$1 billion:

STL-HICs Only (Target: \$1 billion)

²⁶⁵ Victorian Health Promotion Foundation (2005). The Story of VicHealth: A world first in health promotion. Retrieved from http://www.vichealth.vic.gov.au/~media/About%20Us/Story%20of%20Vichealth/Attachments/History_Book_Full_Version.ashx (last visited 29 November 2013).

Cordova, Suzanne. Best Practices in Tobacco Control: Earmarked Tobacco Taxes and the Role of the Western Australian Health Promotion Foundation (Healthway). Retrieved from http://www.who.int/tobacco/training/success_stories/en/best_practices_western_australia.pdf (last visited 29 November 2013).

²⁶⁶ Callard, Cynthia & Collishaw, Neil (2011). Using tobacco taxes to fund international health efforts: The distributional impact of a proposed Solidarity Tobacco Levy (unpublished; on file with the authors).

STL Rate (US\$)= 0.02162545

Country	2011 Cigarette Consumption (Pack of 20s)	Total STL (US\$)	2011 Smoking Population	STL/Capita (US\$)
Australia	958,780,000	20,734,049	3,146,000	6.59
Austria	730,420,000	15,795,661	1,965,600	8.04
Belgium	515,395,000	11,145,649	1,864,300	5.98
Canada	1,743,790,000	37,710,243	4,382,000	8.61
Croatia	360,350,000	7,792,731	942,500	8.27
Czech Republic	1,066,730,000	23,068,516	2,247,900	10.26
Denmark	375,120,000	8,112,139	911,400	8.9
Estonia	97,625,000	2,111,185	310,400	6.8
Finland	233,320,000	5,045,650	824,700	6.12
France	2,705,400,000	58,505,492	14,694,700	3.98
Germany	4,223,300,000	91,330,763	15,631,300	5.84
Greece	1,244,275,000	26,908,007	3,548,700	7.58
Hungary	736,000,000	15,916,331	2,655,100	5.99
Ireland	204,965,000	4,432,460	814,700	5.44
Israel	390,275,000	8,439,872	1,101,600	7.66
Italy	4,434,895,000	95,906,600	11,716,000	8.19
Japan	9,794,370,000	211,807,659	22,662,200	9.35
Netherlands	643,370,000	13,913,166	3,462,800	4.02
New Zealand	106,510,000	2,303,327	680,000	3.39
Norway	103,660,000	2,241,694	715,900	3.13
Poland	2,719,940,000	58,819,926	9,242,200	6.36
Portugal Republic of Korea	438,625,000	9,485,463	1,744,700	5.44
Republic of Korea	4,497,055,000	97,250,838	9,732,000	9.99
Saudi Arabia	1,236,725,000	26,744,735	5,065,800	5.28
Singapore	118,500,000	2,562,616	567,700	4.51
Slovakia	379,005,000	8,196,154	1,404,100	5.84
Slovenia	236,350,000	5,111,175	1,404,100	3.64
Spain	3,178,865,000	68,744,386	-	-
Sweden	264,250,000	5,714,525	825,500	6.92
United Arab Emirates	263,040,000	5,688,358	-	-
United Kingdom & Northern Ireland	2,240,940,000	48,461,336	9,937,300	4.88
Total HICs only	46,241,845,000	1,000,000,707	134,201,200	7.45

Notably, countries with higher consumption levels but less number of smokers would be contributing more to the fund. Presumably, smokers consume more cigarettes in these countries (e.g., Japan, Korea, Greece, Croatia, Czech Republic, Austria, and Italy). Hence, each smoker in these countries would essentially contribute about \$8-10 per year to the fund if tobacco companies would pass on this levy to them; while smokers in other countries would contribute about \$4-7 per year.

The table below shows how the eighteen (18) “HIC with tobacco industry headquarters” (HIC/TI) could contribute to raise 1 billion.

STL-TI (Target: \$1 Billion)
STL Rate (US\$)= 0.02934544

Country	2011 Cigarette Consumption (Pack of 20s)	Total STL (US\$)	2011 Smoking Population	STL/Capita (US\$)
Australia	958,780,000	28,135,821	3,146,000	8.94
Austria	730,420,000	21,434,496	1,965,600	10.9
Belgium	515,395,000	15,124,493	1,864,300	8.11
Canada	1,743,790,000	51,172,285	4,382,000	11.68
Chile	656,460,000	19,264,108	3,816,200	5.05
Denmark	375,120,000	11,008,061	911,400	12.08
France	2,705,400,000	79,391,153	14,694,700	5.4
Germany	4,223,300,000	123,934,597	15,631,300	7.93
Ireland	204,965,000	6,014,788	814,700	7.38
Italy	4,434,895,000	130,143,945	11,716,000	11.11
Japan	9,794,370,000	287,420,097	22,662,200	12.68
Netherlands	643,370,000	13,913,166	3,462,800	4.02
New Zealand	106,510,000	18,879,976	680,000	5.45
Norway	103,660,000	3,041,948	715,900	4.25
Singapore	118,500,000	3,477,435	567,700	6.13
South Africa	1,184,365,000	34,755,712	6,984,800	4.98
Spain	3,178,865,000	93,285,192	-	-
Sweden	264,250,000	7,754,533	825,500	9.39
United Kingdom & Northern Ireland	2,240,940,000	65,761,370	9,937,300	6.62
Total HICs only	34,076,845,000	1,000,000,010	104,098,400	9.61

In this illustration, lesser countries are participating; hence, contributions per country and per smoker have increased accordingly. Australia, Austria, Denmark, Italy, Japan, and Sweden would contribute between \$9-13 per smoker per year, while the others would contribute between \$5-7.

As discussed earlier, adding China to the equation would spell a huge difference by significantly reducing STL contribution per pack for all participating countries.

What is clear in all these examples is that, even if only high-income FCTC Parties would participate in the STL and the amount levied is only 2 cents per pack of cigarette, more than \$1B/year could already be raised. One (1) cent per pack would raise \$500M/year, which is more than Bloomberg's total commitment to scale up tobacco control funding in developing countries—reported to have resulted in significant improvements in public health.²⁶⁷

If the intention is to merely increase awareness, elevate the profile of tobacco control, and raise only a minimal amount of funds to augment existing budget for international activities and for domestic implementation in developing countries, this can easily be achieved, even if only a handful of countries

²⁶⁷ Bloomberg Philanthropies (2011). Accelerating the Worldwide Movement to Reduce Tobacco Use. Retrieved from <http://www.mikebloomberg.com/BloombergPhilanthropies2011TobaccoReport.pdf> (last visited 29 November 2013).

would participate in imposing a 2-cent levy per pack. For instance, if only France, Germany, United Kingdom, and Poland would collect 2 cents per pack, the practical target of \$50M could still be raised.

Because the focus of the study is primarily on HICs, these projections do not take into account the potentially significant roles of India and Brazil, which are both active in discussions on innovative financing. Subsequent studies can include simulation scenarios to take these two countries into account, and even to determine the proposal's political feasibility.

In order to address concerns relating to disproportionality, various criteria can be set, such as: to limit the contributions depending on the Gross Domestic Product (GDP) or other indicators; to qualify them partially or fully as official development assistance (ODA).

6. Tax on Repatriated Tobacco Profits

Most countries impose tax on dividend payments, usually withholding a certain percentage prior to remittance to another country. Shareholders who receive the dividend may also be taxed based on their dividend income. Repatriated profits taxes can thus be collected either from the source country (typically a developing country and required to be withheld by the taxing authority), or from the recipient country (tobacco company head offices).

In Callard and Collishaw's TRTP, profits of tobacco companies that are repatriated from their subsidiaries in developing countries can be taxed a certain percentage (surcharge) in order to raise funds for domestic FCTC implementation, or for global tobacco control activities.,.

According to Callard, based on the records of four (4) largest multinational companies (Philip Morris, Japan Tobacco, Inc., Imperial Tobacco, British American Tobacco) in 2009, more than \$20 billion in profits from cigarette sales made in developing nations "are returned to the headquarters of multinational companies in the United Kingdom (\$10.8 billion), the United States (\$10 billion) and Japan (\$1.2 billion)."²⁶⁸ Based on these values, "an estimated 10% surtax on repatriated tobacco profits of these four companies would provide more than \$2 billion in revenues: PMI would provide \$1 billion, BAT \$720 million, Imperial \$340 million and JTI \$120 million."²⁶⁹

Hence, around 5% TRTP could generate the practical target of \$1 billion and 0.5% could yield \$100 million, while 0.1% could raise \$20 million. The table below shows the various rates required to be imposed if the practical targets identified are to be reached.

**Summary of TRTP Rates
Derived from Callard's Estimates**

Targets (US\$)	Rate
1 Billion	5.00%
600 Million	3.00%
100 Million	0.50%
50 Million	0.25%

²⁶⁸ Callard, Cynthia & Collishaw, Neil (2011). Using tobacco taxes to fund international health efforts: The distributional impact of a proposed Solidarity Tobacco Levy (unpublished; on file with the authors).

²⁶⁹ Callard, Cynthia & Collishaw, Neil (2011). Using tobacco taxes to fund international health efforts: The distributional impact of a proposed Solidarity Tobacco Levy (unpublished; on file with the authors).

20 Million	0.10%
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The scheme seems ideal for purposes of operationalizing a “polluter pays” principle with respect to tobacco companies, but several factors need to be considered. First of all, to reach this amount, this mechanism requires full participation of all countries s involved, i.e., more than the eighteen (18) or thirty (30) countries mentioned in the STL estimates. This can be both an advantage and a disadvantage. Higher level of participation may lead to larger volume of funds and higher level of inclusiveness. However, administration and predicting the flow of funds may be more challenging when many countries are involved. For the same reasons, projecting the potential amount to be generated can also be challenging.

Furthermore, the ability and capacity of various countries to participate should also be factored into the equation. Some “source” developing countries do not currently impose repatriated profit taxes, nor have the capacity to monitor such transactions to effectively collect such taxes. Others may have allowed tax treaties to apply and effectively waived such taxes when the recipient countries already impose a similar tax.

On the other hand, the TRTP can be collected at the recipient’s residence or the destination country. This could address the basic tax administration issues but also creates new challenges. Of the three (3) countries from which the largest amounts would be collected (i.e., United Kingdom, United States, and Japan), one is not an FCTC Party (United States), while in Japan, the government partly owns the tobacco company. . Hence, this type of collection mode would rely greatly on the cooperation of the United Kingdom where BAT is headquartered. It would also affect BAT more than it would PM and JTI.

Nevertheless, there is value in exploring how much this form of surtax would yield if a small group of developing countries would agree to participate. The best method is for these countries to start by monitoring the dividend and profit payments made by tobacco companies to foreign countries. The Conference of the Parties (COP) can further contribute to this by encouraging Parties to require this information from the tobacco industry.

7. Potential of STL and TRTP

Both the STL and TRTP can be further explored due to their potential to contribute to incremental funding for domestic and global tobacco control activities. In fact, a combination of both sources should be considered. Some countries may want to contribute by imposing a small levy (a small fraction of 1 cent to 2 cents) on each pack of cigarettes to raise \$20M to \$1B, or by imposing a tax (0.1% to 5%) on repatriated profits or dividends to raise the same amount. The STL is easier to estimate and thus adds to the predictability, while estimating the TRTP with currentlyavailable data is a serious challenge. The table below summarizes the simulation for both TRTP and STL.

Summary of STL compared to TRTP

	HIC Only	HIC/TI	HIC/TI + China	TRTP
Number of FCTC Parties	31	18	19	
Total Smoking Population	134,201,200	104,098,400	375,619,600	
Targets (US\$)	Amounts to be Levied (US\$ cents/pack)			Rate
1 Billion	\$0.0197	\$0.0265	\$0.0067	5.00%
600 Million	\$0.0118	\$0.0159	\$0.0040	3.00%

100 Million	\$0.0020	\$0.0027	\$0.0007	0.50%
50 Million	\$0.0010	\$0.0013	\$0.0003	0.25%
20 Million	\$0.0004	\$0.0005	\$0.0001	0.10%

It is important to note that even if a handful of countries would participate, both the STL and TRTP could raise significant amounts.. Practical targets of \$20 million, \$50 million, \$100 million, \$600 million, and \$1 billion all have the potential to accelerate FCTC implementation. This could address the limited budget both at the global and national levels, particularly in developing countries. Twenty (20) million dollars is larger than the FCTC Secretariat's budget for the biennium, and \$100 million per year is effectively twice the amount of the current development assistance for tobacco control.

Based on the survey respondents' views, incremental funds would likely be spent on financial assistance, particularly for domestic implementation, as well as on international efforts to promote multi-sectoral collaboration, such as joint activities carried out with international organizations with expertise in critical sectors in tobacco control that are outside the health department (trade, illicit trade, and economics).

It must be noted, though, that the respondents do not represent the official position of their government or the views of the other FCTC Parties. Hence in order to properly determine the ideals of the latter, the issue needs to be thoroughly discussed in a proper forum.

ANNEX I

A Review of Innovative Financing Mechanisms

POTENTIAL SOURCES OF FINANCING FOR FCTC IMPLEMENTATION

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ABBREVIATIONS AND ACRONYMS

AIDS	Acquired Immunodeficiency Syndrome
CTT	Currency Transaction Tax
DAP	Drugs Action Programme
DSF	Digital Solidarity Fund
EWG	Expert Working Group on Research and Development: financing and coordination
FCTC	WHO Framework Convention on Tobacco Control
FTT	Financial Transaction Tax
GEF	Global Environmental Facility
GFATM	Global Fund to Fight AIDS, Tuberculosis and Malaria
GPGs	global public goods
HIV	Human Immunodeficiency Virus
IAs	Implementing Agencies
ICTs	information and communication technologies
IFMs	innovative financing mechanisms
LCT	Luxury Car Tax
MSA	Tobacco Master Settlement Agreement
NCDs	Non-communicable diseases
NPMs	Non-Participating Manufacturers
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
OPMs	Original Participating Manufacturers
SMS	short messaging system
SPMs	Subsequent Participating Manufacturers
STC	solidarity tobacco contribution
STL	solidarity tobacco levy
TRTP	Tax on Repatriated Tobacco Profits
TTCs	transnational tobacco companies
UNAIDS	Joint United Nations Programme on HIV/AIDS
UNDP	United Nations Development Programme

UNEP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
VSC	Mobile Phone Voluntary Solidarity Contribution
WHO	World Health Organization
WSIS	World Summit on the Information Society
WTO	World Trade Organization

I. INTRODUCTION AND OBJECTIVES

This research paper is produced as part of a research being conducted by the South Centre on expanding fiscal policies for global and national tobacco control. The objective of this research is to identify innovative solutions to fill the funding gaps in the implementation of the WHO Framework Convention on Tobacco Control (FCTC). In this context, the analysis in this paper could be useful for the Working Group on Sustainable Measures to Strengthen the Implementation of the WHO FCTC, in its deliberations around resource mobilization and developmental cooperation. Ideas and mechanisms for generating additional funding may be spawned from a review of the popular forms of non-traditional financing mechanisms that have been aimed at mobilizing resources for developmental programmes. Innovative financing mechanisms have generated considerable interest for financing health systems, and in that context there may be scope for exploring the potential for innovative financing mechanisms for tobacco control.

Non-traditional means of raising and disbursing funds for development have been called “innovative financing for development.” Because this terminology is used differently in different contexts, it is so broad that it evades a precise definition. For this paper, it has two separate definitions:

- a. For new means of financing that refer to **global activities** such as — in the context of tobacco — funds for cooperation or joint activities with multilateral agencies such as the FAO, WCO, etc. or funding incremental FCTC Secretariat’s activities; “innovative financing” will refer generally to funding and mechanisms that depart from the traditional approaches in developmental cooperation such as those customarily channelled bilaterally or multilaterally, including the provision of extra-budgetary contributions for global activities/grants through the international agencies (such as the FCTC Secretariat and WHO-Tobacco Free Initiative (TFI)). Examples of innovative financing for global activities will be discussed under the chapter on Current Practices and Proposed Mechanisms for Global Activities.
- b. For new means of financing that refers to **country-level activities** such as — in the context of tobacco — funds for tobacco control advocacy and research in the country, “innovative financing” will refer generally to funding and mechanisms that depart from the traditional sources such as the general budget, the national appropriations system, or the grants received through traditional mechanisms such as government, foreign government aid agencies, WHO-TFI or FCTC Secretariat, or development assistance through the private sector, NGOs, and its conduits such as

medical associations, Bloomberg Philanthropies, Gates Foundation, etc. Examples of innovative financing for country level activities will be discussed under the chapter on Potential Sources of Funds for Treaty Implementation at Country Level.

It is worth stressing, however, **that innovative financing for country level activities can also be used to fund global activities**, either directly through traditional channels, for instance, as a voluntary contribution to a multilateral agency or through new mechanisms set up to efficiently administer and pool funds.

To simplify the discussion, this paper focuses on well-known innovative financing mechanisms that pool new or **additional funding or tap new sources of funds** while omitting those that focus on various means to deliver Official Development Assistance (ODA) funds and those that refer to the granting of loans. This is not to suggest that the latter are less viable or welcome sources of financing but only to focus one's attention on new opportunities that other developmental issues have considered and that have already yielded additional funding and success stories in some sectors.

II. METHODOLOGY

The research was conducted by a team comprising a lead research consultant and two researchers from the South Centre. Qualitative research methods were employed in gathering data for the review of related literature. Specifically, an online library research was conducted using Georgetown University's off-campus online portal. It took four months to accomplish the online search and literature review, starting from October to November 2012 for the first batch of reference materials, and then from May to June 2013 for the supplementary reference materials. Google Scholar was also used for the auxiliary data search.

Permutations of key terms were used in doing the online research (e.g., "innovative," "financing mechanisms," "health," and "tobacco control"), yielding a number of reference materials which were later sorted and narrowed down in terms of relevance, quality, and recentness of publication.

The first batch of online research produced at least ten (10) key reference materials comprehensively discussing the topic on innovative financing mechanisms (IFMs). This included publications by WHO, UNDP, UN Department of Economic and Social Affairs, and the Taskforce on Innovative International Financing for Health Systems.

After sifting through these materials, a snowballing technique was employed in looking for other ancillary references, as well as a purposive search of specific IFMs, taking into account their sources and purposes; classifications (existing or proposed); amounts collected and budgeted; mechanisms of fund administration, collection, and allocation; institutional backings and partners; success factors; and, other notable features.

Some IFMs, like the global financing mechanisms (e.g., GEF, Global Fund, UNITAID), required direct visits to their official websites for data gathering and updating. Cross-referencing was used for all IFM searches to ensure reliability and validity of data.

To present the data in a systematic format for analysis, a comparative matrix was utilized to show the vital aspects of the IFMs in terms of their general description/objectives, pertinent details on the mechanisms, general assessment including advantages, and disadvantages.

III. Current Practices and Proposed Mechanisms for Global Activities

A. Global Financing Mechanisms

1. Global Environmental Facility Trust Fund^{lv} (Public/Government Fund)

a. General Description/ Objective

The Global Environment Facility (GEF) “refers to the totality of legal, institutional, and procedural arrangements that regulate and make possible the flow of financial resources”^{lv} as mandated by the United Nations Framework Convention on Climate Change (UNFCCC).^{lvi}

Established in 1991, the GEF is composed of 183 member governments whose purposes are mainly: (1) to address environmental issues at the global level; and, (2) to assist in carrying out sustainable development initiatives at the country level.

b. Pertinent Details

Institutionally, the GEF is governed by the GEF Council composed of thirty-two (32) countries chosen from the assembly of member countries and representing the following country categories: sixteen (16) developing countries, fourteen (14) developed countries, and two (2) from Central and Eastern Europe and the former Soviet Union.

Funding for the GEF Trust Fund is collected based on pledges of donor countries,^{lvii} replenished every four (4) years, and utilized to finance strategic program thrusts identified during the replenishment discussions.^{lviii}

After five (5) replenishment periods, the GEF has collected a total of \$15.225 billion.

The United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), and the World Bank serve as the implementing agencies of the GEF, with the latter serving as its Trustee and providing administrative services.

Partner agencies in implementing GEF-financed activities are the UN Food and Agriculture Organization, the UN Industrial Development Organization, the African Development Bank, the Asian Development Bank, the European Bank for Reconstruction and Development, the Inter-American Development Bank, and the International Fund for Agricultural Development.

c. General Assessment

As a significant source of large-scale funding for conservation projects, the GEF has supported various institutions coming from both public and private sectors and civil society organizations. According to the Conservation Finance—an international alliance of individuals and institutions involved in the sustainable financing of biodiversity conservation—the GEF also finances Conservation Trust Funds, and “supports other innovative finance mechanisms, such as environmental investment funds, and is currently examining other innovative opportunities for deploying its capital.”^{lix}

A major weakness of the GEF is its heavy reliance on the voluntary monetary contributions of donor countries. The Conservation Finance pointed out that its short-funding cycle constrains its potential to attain sustainability of funding,^{lx} and identified four (4) other weaknesses, as follows:

- “Can take a long time (three years or more) and significant commitment of resources to secure funding, particularly for full-size projects.
- The diverse range of actors involved in the project cycle can make project approval a complex process.
- Project proponents must learn to successfully negotiate complex project development procedures of Implementing Agencies (IAs).
- Only incremental costs related to realizing global biodiversity benefits are funded directly.”^{lxi}

2. Global Fund^{lxii} (Public-Private Fund)

a. General Description/ Objective

Established in 2002, the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) is a public-private partnership and an international financing institution seeking to attract and allocate additional resources for the prevention of the aforesaid diseases. Dependent mainly on voluntary financial contributions from governments, private sector, social enterprises, philanthropic foundations, and individuals, the GFATM as of mid-2012 has a total approved funding of US\$ 22.9 billion supporting more than 1,000 programs in 151 countries.

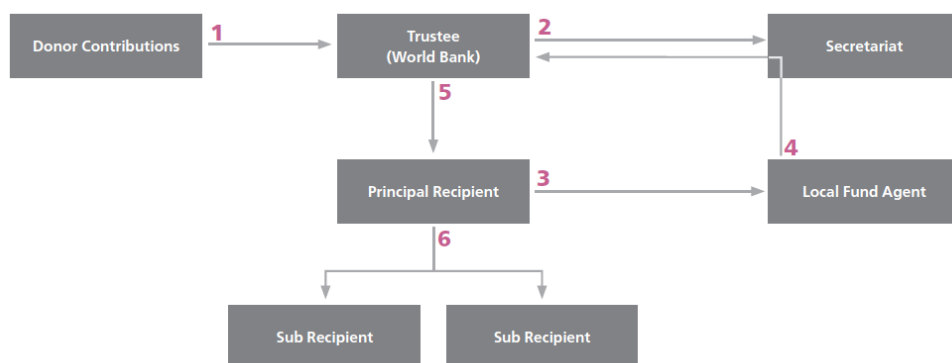
b. Pertinent Details

In 2005, the GFATM adopted a voluntary replenishment model to enhance “the reliability and regularity of income streams and to ensure sustained and predictable support to countries.”^{lxiii} Every three years, a pledging conference is conducted to enable public and private sector donors to commit their assistance to the Fund. Aside from this, ad hoc pledges and contributions are additionally received outside the pledging conferences.

Since its inception, the GFATM has been able to draw mostly public sector pledges amounting to US\$ 28.3 billion. This amount roughly represents 95% of total pledges to the Fund, while the remaining 5% (or US\$ 1.6 billion) has been sourced from the private sector and other financing initiatives. Donor pledges were made by a total of fifty-four (54) donor countries which have paid a total of US\$ 17.2 billion thus far.

The GFATM is governed by the Global Fund Board composed of representatives from donor and recipient governments, civil society organizations, private sector, foundations, and communities affected by the three identified diseases. Its Secretariat administers the grant portfolio, screens submitted proposals, issues instructions for fund disbursement to grant recipients, and conducts performance-based funding of grants.^{lxiv} Serving as GFATM’s Trustee since 2002, the World Bank is responsible for the GFATM’s financial accountability on fund collection, disbursement, investment, and reporting.

The figure below shows how donations to the GFATM flow from donors to recipients.

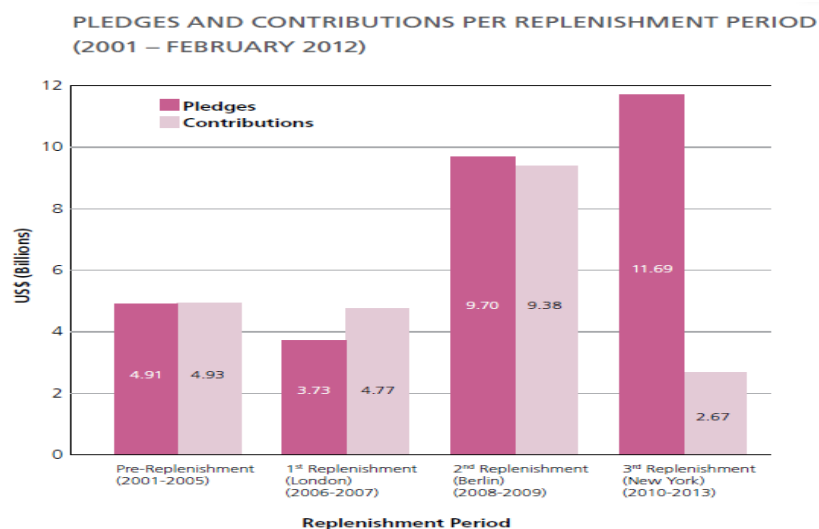


Source: *The Global Fund to Fight AIDS, Tuberculosis and Malaria. Governance Handbook: Financial Resources Mobilization, Management and Oversight*

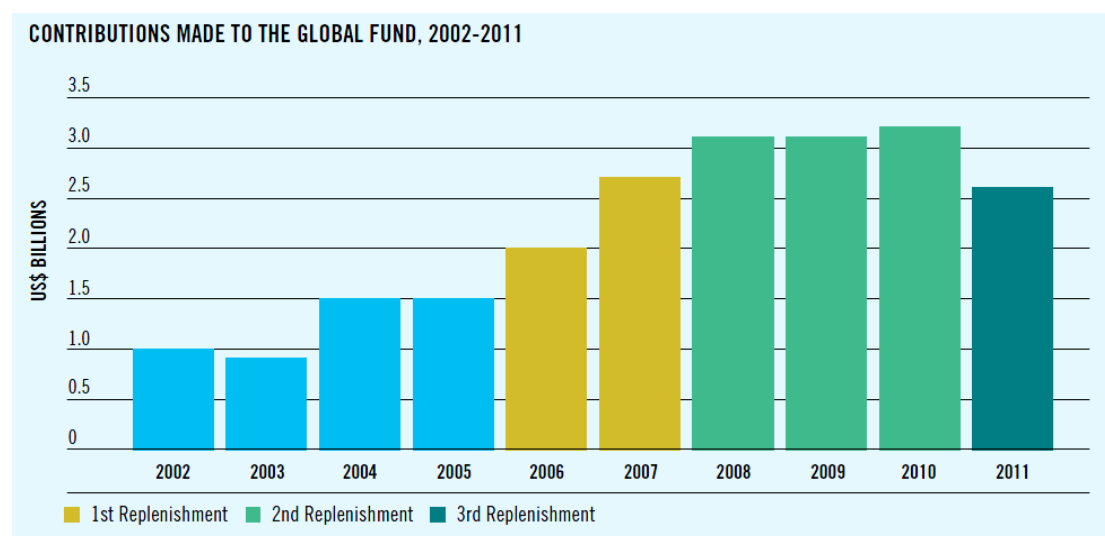
Only official contributions of member countries to the Fund are considered ODA.^{lxv}

c. General Assessment

The charts below show the pledges and actual contributions to the GFATM since 2001. Although the total financial pledge was high during the 3rd replenishment period in October 2010, the GFATM noted that it “fell short of estimated resource needs to scale up the response to the three diseases during the 2011-2013 calendar period, and some pledges have proven difficult to materialize into contributions in a timely manner.”^{lxvi}



Source: *The Global Fund to Fight AIDS, Tuberculosis and Malaria. Governance Handbook: Financial Resources Mobilization, Management and Oversight*



Source: *Investments for Impact: Global Fund Results Report 2012*

In May 2011, the GFATM reported that it was short of US\$ 1.3 billion to cover minimum estimated needs for the period 2011 to 2013. Since 2002, the annual conversion of pledges into contributions as scheduled has gone down from 100% to 89% in 2008 and to 79% in 2010 and 2011. This reduction, however, reflects only delays in payment rather than non-payment of donors,^{lxvii} with the global financial crisis in 2008 as a major factor for the delay.

The GFATM was likewise hounded by corruption and fund misuse issues,^{lxviii} causing donor countries, like Sweden and Germany, to temporarily suspend donations to the Fund.^{lxix} With the resignation of its General Manager in January 2012, the GFATM is expected to initiate reforms to ensure more financial transparency and accountability.

In evaluating the Fund's allotment of resources for HIV programmes, Avdeeva, et al. (2011) in their study entitled *The Global Fund's resource allocation decisions for HIV programmes* concluded that "prevention in most-at-risk populations is not adequately prioritized in most of the recipient countries."^{lxx} Consequently, its Board has adjusted its criteria in order to strategically target the most vulnerable populations.^{lxxi}

In 2005, Radelet and Caines also pointed out that the GFATM's mandate and organization have caused "difficulties in integrating with existing systems with different objectives, especially given its small secretariat and large number of client countries,"^{lxxii} adding that its dependence on its partners to perform complementary functions has caused unexpected burden on the latter to allocate resources and to modify their own procedures.^{lxxiii}

3. UNITAID^{lxxiv} (Public Funds from Specific Sources)

a. General Description/ Objective

The UNITAID is a global health initiative that seeks to "provide sustainable, predictable, additional funding"^{lxxv} to influence market functioning for the reduction of prices of medicines for the treatment of HIV/AIDS, Tuberculosis, and Malaria, thereby increasing their accessibility and supply for affected populations in low- and middle-income countries.

b. Pertinent Details

The UNITAID's fund is generated mainly from international solidarity levy on airline tickets and augmented through "traditional multi-year budgetary contributions from bilateral partners and other donors."^{lxxvi} Airline companies in donor countries are responsible for collecting airline ticket levy, which is added to a plane ticket's final price. The amount generated at the national level is then coordinated for allocation to the UNITAID's international purchasing facility.

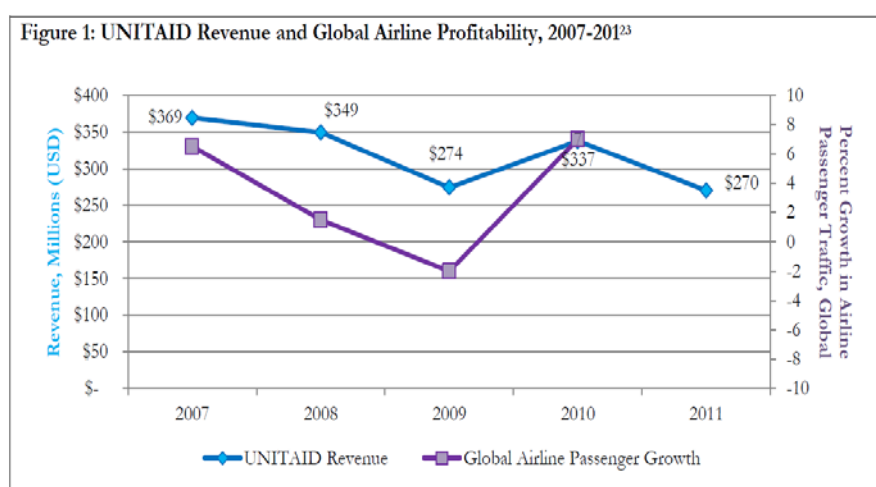
Since 2006, the UNITAID has collected approximately US\$ 2 billion. Solidarity levy on airline tickets collected in nine (9)^{lxxvii} out of twenty-nine (29)^{lxxviii} member countries account for two-thirds of this amount.^{lxxix} The remaining one-third of its fund comes from traditional funding from donor governments (e.g., Brazil, Norway, Spain, and United Kingdom) and the Bill and Melinda Gates Foundation.

The UNITAID is governed by a 12-member Executive Board^{lxxx} whose main functions are to decide on the utilization of its fund and to map out its future action plans. Its funding allocation prioritizes low-income countries with high-disease incidence and highly-at-risk populations,^{lxxxi} with the following project cycle and management process being implemented to foster operational efficiency and effectiveness.

c. General Assessment

The UNITAID's resource mobilization has been successful because it has attained its funding targets, collecting on average US\$ 320 million annually from 2006 to 2011. As a pioneering IFM, the solidarity levy on airline tickets—deemed as sustainable and secure^{lxxxii}—can be considered "additional," "technically feasible," and a significant "proof of concept."^{lxxxiii}

Nonetheless, its overdependence on the performance of the air travel sector has made it highly susceptible to the aberrations in the global economy. In its 2012 report, the Center for Global Development noted that the UNITAID's revenues had significantly dropped by 21% from 2008 to 2009 due to the global economic crisis. Another weakness cited is its dependence on a narrow spectrum of donors, mainly France and the United Kingdom contributing 62% and 16% to its revenue from 2006 to 2011. High-income country donors, including the Bill and Melinda Gates Foundation, account for 95.8% of the UNITAID's revenue, while low- and middle-income countries account for less than 5%.^{lxxxiv}



Source: Center for Global Development, 2012

4. Global Alliance for Vaccines and Immunization (GAVI)^{lxxxv}

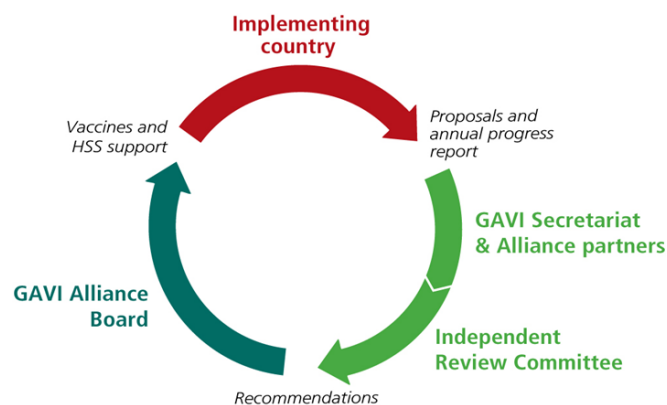
a. General Description/ Objectives

Initiated in 2002, the GAVI Alliance is a public-private partnership (PPP) scheme that has cut down prices of vaccines globally, and has improved access of millions of children, particularly in least developed countries, to these vaccines.

b. Pertinent Details

Composed of a wide range of stakeholders, the GAVI Alliance board^{lxxxvi} decides on its strategic direction, and supervises/monitors program implementation focused on four (4) key areas, namely: (i) stimulating fast uptake of vaccines; (ii) assistance in raising country demand; (iii) initiation of IFMs; and, (iv) shaping of markets for vaccines. Based in Geneva, its secretariat is in charge of the organization's day-to-day operations.

Under the GAVI framework, an implementing country submits to the GAVI partners and secretariat a proposal (or a progress report for continuing projects), which is then evaluated by an independent review committee. Depending on its merits, it is endorsed to the GAVI Alliance board for approval. If approved, vaccines and health system strengthening (HSS) support are afterwards provided to the implementing country.



Source: GAVI Alliance

Since its launch, the GAVI Alliance has facilitated market creation for vaccines, bolstered health systems to deliver immunization, expedited vaccine initiation in over seventy (70) countries, and immunized approximately 370 million children globally, thereby averting over 5.5 million future fatalities.

Three (3) major financing mechanisms have supported GAVI's resource mobilization efforts, namely: (i) International Finance Facility for Immunization (IFFIm); (ii) Advance Market Commitment (AMC); and, (iii) GAVI Matching Fund.

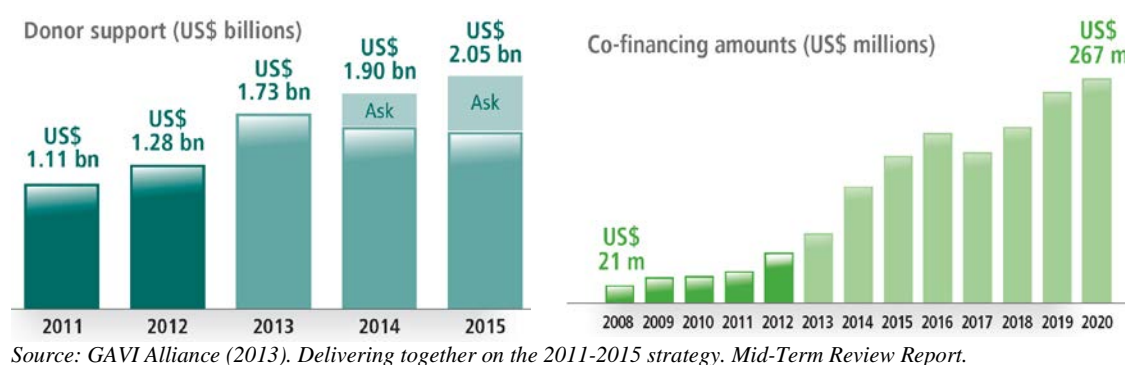
The IFFIm has generated over US\$ 4.5 billion since the sale of vaccine bonds in 2006, while the AMC has received pledges of US\$ 1.5 billion to help speed up production and roll-out of pneumococcal vaccines in poor countries.^{lxxxvii}

On the other hand, the GAVI Matching Fund enables donors (i.e., UK Department for International Development (DFID) and the Bill and Melinda Gates Foundation) to make conditional pledges, which should be matched with commitments from the private sector.^{lxxxviii} Both the DFID and the Bill and Melinda Gates Foundation have committed US\$ 130 million to

complement private sector contributions. Minimum donation to the GAVI Matching Fund is US\$ 1.5 million.

Co-financing with implementing countries is an important component of GAVI's financing policy. Depending on their per capita gross national income (GNI),^{lxxxix} counterparting of funds is required to ensure country ownership and sustainability. Since January 2011, payments of countries for co-financing have reached US\$ 125 million. This amount is projected to climb to around US\$ 1 billion from 2016 to 2020.

To ensure predictability of assistance to countries, the GAVI commits only if there is enough budget to pay out a full five-year commitment, enabling developing countries to map out their program direction and guarantee coordinated utilization of resources.



Performance-based funding is strictly observed in disbursing funds to ensure that resources are utilized efficiently to attain maximum reach and impact.

c. General Assessment

Based on its proceeds data for the period 2000-2010, the GAVI's funding structure is composed of 37% innovative finance and 63% direct contributions.^{xc}

In 2012, the Multilateral Organisation Performance Assessment Network (MOPAN) ranked the GAVI in top two among donor agencies in its multilateral aid review.^{xcⁱ} Two (2) other aid reviews were conducted in the same year: (i) Australia Multilateral Aid Assessment; and, (ii) United Kingdom Multilateral Aid Review. The former evaluated it as strong in terms of results, relevance, and performance.^{xcⁱⁱ} ^{xcⁱⁱⁱ} While the latter assessed it as strong in terms organizational strengths,^{xc^{iv}} value for money, and contribution to the United Kingdom's development goals.^{xc^v}

In 2010, the CEPA LLP & Applied Strategies also evaluated GAVI's financing predictability and sustainability, as follows:

- (i) *GAVI is successful in raising the funding predictability for national immunization programs, although it has been recently undermined:*
 - Funding additionality (e.g., growing disbursements of the WHO and the UNICEF for immunization the past 10 years);

- Bigger ratio of the GAVI's future financing being noted as "secure" vis-à-vis other bilateral and multilateral donors, even though its present funding gap has weakened its funding predictability;

(ii) *Financial sustainability has been an area of weaker performance:*

- Generated funds are from a limited range of donors compared to Global Health Partnership (GHP) comparators, e.g., Global Fund and Global Polio Eradication Initiative (GPEI);
- Forecast for funding sustainability for low-income countries is a considerable challenge.^{xcvi}

B. Global Contributions from Tobacco-Related Sources (Proposed)

1. Proposed Solidarity Tobacco Levy (STL)

a. General Description/ Objectives

The solidarity tobacco levy (STL) is a "micro-tax" being proposed by the WHO-TFI to be imposed on each pack of cigarettes in order to fund non-communicable diseases (NCDs) and tobacco control both at the national and international levels,^{xcvii} particularly in low- and middle-income countries.^{xcviii} The proposal was discussed during the 1st Global Ministerial Conference on Healthy Lifestyles and NCD Control of the WHO in April 2011 after it came out as one of the recommendations of the High-Level Task Force on Innovative Financing in 2009.^{xcix}

b. Pertinent Details

Under the proposed scheme, revenue agencies of participating countries would levy a "micro-tax" on the price of cigarette packs on top of existing tobacco tax. Governments can easily implement this scheme "through a small number of gatekeepers"^c and via existing national taxation mechanisms.

Its implementation would be totally under the decision-making power of national governments, with STL collection going directly to the government coffers. Countries may then voluntarily donate a portion of its collection to a pooled global fund, and may freely determine the amount of their contribution.^{ci}

A number of studies have presented revenue projections from additional tobacco taxes, with amounts varying depending on the chosen assumptions and scenarios.

Sources	Projections
WHO (2011)	A solidarity tobacco contribution (STC), if implemented in forty-three (43) "G-20+" countries, could raise from US\$ 5.5 billion to US\$ 16.0 billion in extra excise tax every year depending on chosen scenarios. ^{cii}
Callard & Collishaw (2011)	STL collection from seventy-two (72) countries is estimated to reach \$6.2 billion, including \$1.86 billion for international efforts. ^{ciii}
Gates (2011)	STC could yield US\$9 billion for health annually. ^{civ}
Wreford-Howard (2010)	If countries would implement an automatic STL allocation key of 30% for the fund, about US\$ 2 billion could be generated. ^{cv}

Sources	Projections
WHO (2010) & Stenberg, et al. (2010)	A 50% increase in tobacco taxes would generate US\$ 1.42 billion in additional funds in twenty-two (22) low-income countries. ^{cv}
WHO (2010)	A tax of US\$0.05/pack of cigarettes in G20+ countries could generate US\$4.3 billion. ^{cvi}
World Bank & WHO (2003)	In the South-East Asia Region, studies show that cumulative revenue gains from increasing tobacco prices by 5% in real terms annually could bring in an extra US\$ 440 million in Nepal, US\$ 725 million in Sri Lanka, and US\$ 994 million in Bangladesh (estimates for 2010). ^{cvi}

The proposed STL scheme could raise funding in both developing and developed countries, thereby making it a “hybrid ‘North-South’ and ‘South-South’ solidarity levy with potential for a high proportion of the proceeds staying in developing counties.”^{cix}

If STL is to be pursued as an IFM, the WHO (2011) highlighted the need for member states to thoroughly deliberate on its political viability, administration, fund investment, and utilization.^{cx}

c. General Assessment

The STL passes all the criteria for innovative financing, namely, “sufficiency, market impact, feasibility, and sustainability and suitability.”^{cx} It is appropriate in generating resources when depending on markets and a big population base. It is also expected to have a negligible impact on the global economy, and will have a redistributive effect as it will channel collected revenues to tobacco control programs in developing countries.^{cxii} Theoretically, revenues to be produced by the STL are considered additional although participating governments would probably incorporate them into their regular ODA budget.^{cxiii}

Wreford-Howard (2010) succinctly stipulated the following arguments for STL:

- Could be easily accepted by governments and consumers;
- Could be quickly launched as a pilot;
- Has double-impact: proceeds may be used for international health and also serve tobacco control;
- STL funds originate from more of the global economy’s haves than have-nots;
- STL funds are collected from a large base;
- STL funds are predictable and stable over time;
- Micro-tax: STL funds are collected in a way that minimally distorts the global economy; and,
- Is technically and legally immediately feasible.^{cxiv}

Critics of STL, however, claim that the proposed scheme could have the following deficiencies:

- It would tax more smokers in low-income countries that have high-smoking incidence;^{cxv}

- It is intrinsically regressive;^{cxvi cxvii} and,
- Many governments are likely to be resistant to the idea of earmarking taxes for global pooling, partly because they would face strong political pressure from their constituents to utilize revenues collected to fund domestic health priorities.^{cxviii cxix}

2. Proposed Tax on Repatriated Tobacco Profits (TRTP)

a. General Description/ Objective

A tax on repatriated tobacco profits (TRTP) is a levy being proposed to be collected from the repatriation of earnings by transnational tobacco companies (TTCs) from countries where they sell their products to countries where they are based/headquartered and where they also distribute dividends to their owners and investors.^{cxx} Its purpose is basically to redirect a share of their earnings to fund the implementation of the FCTC particularly in low-income countries.^{cxxi}

Aside from applying the “polluter pays” principle, the TRTP’s chief rationale is to inhibit the present trend of TTCs’ profits flowing from low-income countries to TTCs’ headquarters in developed countries.

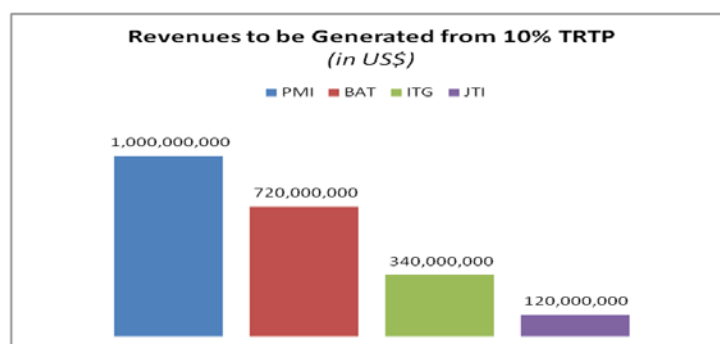
The concept of a tax on repatriated profits is not new. Brazil submitted such a proposal to the WHO Expert Working Group (EWG) on research and development (R&D) financing to explore options for raising funds for R&D of diseases that disproportionately affect developing countries. In its proposal, Brazil suggested that funds could be raised by taxing the profits of non-domestic pharmaceutical companies, and the proceeds could be recycled by a directing council on the lines of the UNITAID. The Brazilian proposal estimated that if all low- and middle-income countries would participate in this mechanism, a 1% tax on relevant profits could generate US\$160 million annually. The WHO EWG has considered this proposal to be “particularly attractive.”^{cxxii}

b. Pertinent Details

In their paper *“Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes,”* Callard and Collishaw^{cxxiii} explained that the operation of the TRTP would be “voluntary” in nature because it is contingent upon the willingness of countries to enact and implement laws and regulations for its implementation. The scheme may be administered through the voluntary participation of countries and through existing or new international institutions, i.e., the WHO, FCTC, or a new Global Fund for NCDs.^{cxxiv}

According to the Physicians for a Smoke-Free Canada (2009), about US\$ 20 billion profit was made by four (4) major TTCs^{cxxv} outside their national base in 2008.^{cxxvi} Consequently, expected annual revenue that could be generated from a 1% TRTP is about US\$ 200 million. If a 10% TRTP is imposed on the earnings of these four (4) major TTCs, projected revenue is expected to reach US\$ 2 billion, with TRTP on PMI profits at US\$ 1 billion, followed by BAT (US\$ 720 million), ITG (US\$ 340 million), and JTI (US\$ 120 million).^{cxxvii} The estimated US\$ 2 billion revenue “represents less than one-third of one percent of the value of the \$558 billion global tobacco market (of which at least \$170 billion is paid to governments in income and

tobacco taxes), but would provide a 13% increase in global development assistance for health.”^{cxxviii}



Source: Callard & Collishaw (2011); based on 2009 business results/data

c. General Assessment

Since TTCs are based in high-income countries, the TRTP is intrinsically progressive as it burdens these countries more compared to low-income, lower-middle, and upper-middle income countries where these TTCs sell most of their cigarette products and earn substantial profits.^{cxxix} The biggest five (5) contributing high-income countries (United States, United Kingdom, Japan, Luxembourg, and Switzerland) would absorb at least 63% of the TRTP burden; while the succeeding ones (Germany, Canada, Netherlands, Lebanon, and South Africa) would shoulder at least 4% of the TRTP burden.^{cxxx}

The viability of implementing the TRTP rests upon the ability of implementing countries to monitor the total profits earned by the TTCs and to effectively collect this tax whenever TTCs remit their profits to their headquarters overseas. Indubitably, the TTCs would strongly lobby against the passage of any enabling TRTP law; and, assuming that one is enacted, they could come up with “avoidance” schemes (e.g., keeping their profits overseas) to circumvent its implementation.

As observed by the WHO Consultative Expert Working Group on Research and Development on the Brazilian proposal for a tax on repatriated pharmaceutical industry profits, appropriate assessment of the feasibility of this concept would require further information and knowledge on specific matters related to transfer pricing, international corporate taxation, applicable tax agreements, relationships with national industry, as well as commitments by individual countries as part of bilateral and multilateral trade and investment agreements.^{cxxxi}

C. Global Contributions from Non-Tobacco Sources

1. Solidarity Levy on Airline Tickets

a. General Description/ Objective

Launched in 2006 by Brazil, Chile, France, Norway, and the United Kingdom and supported by the UN Secretary General, this type of tax is imposed on airline ticket prices charged to passengers taking off from airports of countries implementing it.^{cxxxii} As a major funding source of the UNITAID International Drug Purchase Facility, it seeks to generate resources to

improve access to medicine and diagnostics in countries with high incidence of HIV/AIDS, Tuberculosis, and Malaria.

b. Pertinent Details

Nine (9) out of fourteen (14) countries with existing legislations mandating its implementation are already contributing to the UNITAID.^{cxxxiii} Airline companies are responsible for the declaration and collection of the levy. Collection costs are minimal—only about 1% to 3% of collected revenues^{cxxxiv}—because airline companies just add the levy to the final price of a plane ticket. Participating countries then donate all or a portion of the collection to the UNITAID.

As of November 2010, rates in seven (7) countries varied by type of flight (domestic or international) and travel class (economy / business / first class). For example, for domestic flights, France charges €1 (for economy class) and €10 (for business and first class). On the other hand, for international flights, it charges €4 (for economy class) and €40 (for business and first class). Up to US \$2 billion has been raised by the solidarity levy since 2007.^{cxxxv}

Country	Domestic flights	International flights
Chile	No tax	2/2/2 (US \$)
Republic of Korea	No tax	US \$ 1/1/1 (US \$)
France	1/10/10 (€)	4/40/40 (€)
Madagascar	0/2/2 (€)	0/2/2 (€)
Mali	From 0.76 (€)	To 10.67 (€)
Mauritius	No tax	1/2/2 (€)
Niger	0.76/3/3 (€)	3.8/15/15 (€)

Source: French Ministry of Foreign and European Affairs, UNITAID, and Cour des Comptes; data compiled and cited in Porcher & Kerouedan (2011)^{cxxxvi}

In 2010, the Leading Group pointed out that “such a flat contribution, provided it is non-discriminatory, is in line with the Chicago Convention, bilateral treaties and agreements, European regulations, and World Trade Organization (WTO) agreements. The mechanism is based on territoriality, not nationality. All airline companies, whatever their nationality, have to levy the contribution if departing from an airport located in a participating country.”^{cxxxvii}

If politically supported by participating countries, its implementation could easily be done within a timeframe of two (2) to twelve (12) months upon approval.^{cxxxviii}

The following are some revenue projections and data on airline ticket levy:

Sources	Projections / Data
UNDP (2012)	Estimated the revenue collected from 2006 to 2011 at US\$ 1 billion ^{cxxxix}
OECD (2009)	Estimated annual revenue at US\$ 251 million ^{cxl}
IIED (2008)	If a minimum levy of US\$ 1 is charged for economy and US\$ 5 for premium class, yearly revenue could reach US\$1 billion. This amount could eventually increase to US\$ 1.2 billion in the sixth year. If a standard levy of US\$ 2 is implemented, revenue collection could rise from US\$ 1.4 billion to US\$ 1.8 billion in the sixth year. Other revenue projections after six years of implementation are: US\$ 228 million (for <i>worst-case scenario</i>); US\$ 24.6 billion (for <i>best-case scenario</i>); and, US\$ 1.1 billion (for <i>conservative scenario</i>). ^{cxli}

Sources	Projections / Data
De Ferranti, et al. (2008)	Projected the yearly revenue to reach €180 million ^{cxlii}
Binger (2003)	Prior to its launching in 2006, Binger (2003) projected that the airline ticket levy could generate yearly revenues of anywhere between €10 billion and €16 billion. ^{cxliii}
French Ministry of Foreign Affairs	According to its Ministry of Foreign Affairs, France was actually able to collect additional €160 million in conventional aid. ^{cxliv} Based on initial calculations, France would be able to generate €200 million.

c. General Assessment

Implementing a mandatory airline ticket levy can provide “continuing, automatic, and assured source of funds, and is politically attractive.”^{cxlv} In addition, the levy is expected to have only marginal impact on low-income countries and passengers. The cost of its implementation is small compared to the benefits it can provide particularly to low-income countries (e.g., development assistance for health).

De Ferranti, et al. (2008) summarized the following arguments for and against the levy, as follows:^{cxlvi}

Arguments for the levy	<ul style="list-style-type: none"> • An airline tax can be introduced using pre-existing airport tax systems, as the French example illustrates, with relatively low implementation costs and possibly limited negative effects on the industry. • The airline tax does not affect the sovereignty of countries given that each national government can make its own decisions on the amount of the levy and which passengers must pay it. • The tax can be largely “exported” if developing countries tax only international first and business class passengers. • Air traffic has grown historically at about 8% a year globally, so if the tax does not disrupt the industry, it can become a consistent and growing source of revenue for global health.
Argument against the levy	<ul style="list-style-type: none"> • An argument against any such tax is that it will reduce economic activity and incomes...
Risk	<ul style="list-style-type: none"> • Some countries already rely heavily on airline and airport taxes. Adding another increment could reduce a country’s competitiveness at the margin.

Source: Full text sourced from de Ferranti, et al. (2008)

On the whole, its sustainability, predictability, and probability for expansion are high as the tax collection infrastructure already exists in most countries, with passengers also ready to pay a small amount to fund a meaningful health program. Being a new revenue stream, the solidarity levy is technically considered additional; however, implementing countries incorporate them into their regular ODA budget.^{cxlvii}

2. International Finance Facility for Immunization (IFFIm)^{cxlviii}

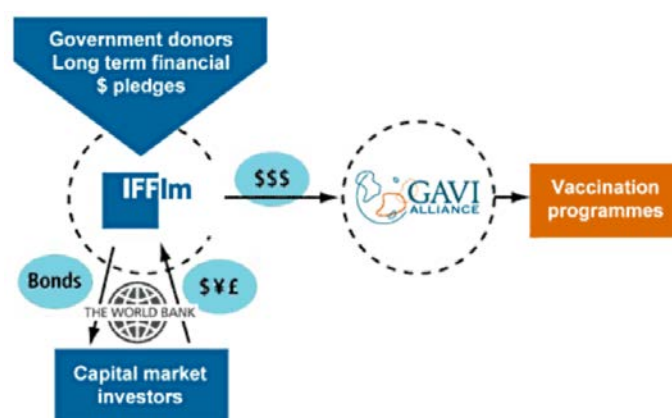
a. General Description/ Objective

Donor governments frontload ODA by issuing bonds on international capital markets and repay investors with their legally-binding ODA commitments. Most proceeds are channeled into GAVI, a public-private partnership (PPP) to increase access to vaccines.

b. Pertinent Details

Established in 2006, the IFFIm utilizes long-term pledges of donor governments (e.g., up to 20 years) to sell “vaccine bonds” in the capital markets, enabling resource generation and frontloading of long-term committed funds of donor governments for immediate use of GAVI programs.

With the World Bank as its treasury manager, this financing mechanism had raised a total of US\$3.4B from 2006 to 2011, with the assistance of participating countries, like France, Italy, Norway, Spain, Sweden, United Kingdom, South Africa, Netherlands, Australia, and Brazil.



Source: IFFIm website

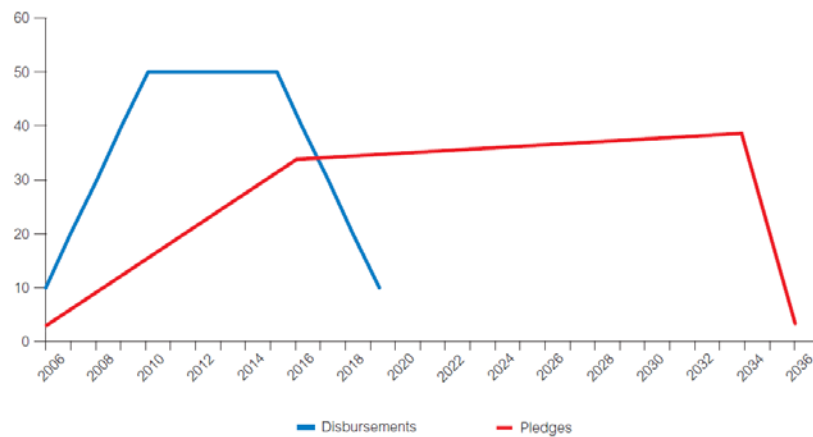
The conceptualization and execution of the initial IFFIm took more than 3 years from proposal development to the first issuance of bonds.^{cxlix}

c. General Assessment

The IFFIm is a proven concept of frontloading long-term pledges of donor countries for immediate program use, enabling the GAVI to scale up its operations.^{cl}

The IFFIm, however, does not raise additional funds; rather it only frontloads long-term pledges for GAVI’s child immunization program.^{cli}

In 2011, the United Nations (UN) Secretary General noted that, “(f)or IFFIm, which so far demonstrates the greatest potential, future funding from this mechanism is in decline, while GAVI is embarking on ambitious programs amid concerns that their grants become inflexible and thus distort national priorities. The potential of IFFIm in terms of frontloading and predictability have also not been fully realized.”^{clii} Owing to its reliance on donor commitments, the IFFIm’s resource generation capacity is less predictable. The chart below shows IFFIm’s disbursements vis-à-vis pledges (in billion dollars).^{cliii} Payout of frontloaded pledges is expected to drop significantly starting 2015.



In their evaluation of the IFFIm, Pearson, et al. (2011) cited lack of donor interest as one of the major reasons for its inability to expand.^{cliv} This could be in part due to the development community's lack of appreciation of IFFIm's resource generation framework as a whole.^{clv}

Aside from "high transaction cost in terms of funding approval" which "makes it difficult to expand and attract new donors," financial sustainability cannot be assured because funds are used up during the frontloading period, "making it difficult for recipient countries to plan beyond received funds."^{clvi}

Moreover, since the IFFIm has capitalized on the "AAA" credit rating of donor countries in accessing capital at low interest rates, it is susceptible to market fluctuations and possible credit downgrade of donor countries.^{clvii}

3. Proposed Financial Transaction Tax (FTT)

a. General Description/ Objective

A financial transaction tax (FTT) is a type of tax imposed on a particular type of financial transaction, like bonds, derivative contracts, shares, and exchange of currencies.^{clviii} A broad FTT may likewise apply to futures, options, equities, and commodities.^{clix} Under the proposed FTT, a certain rate (varies from 0.005%) will be charged on various forms of financial transactions, such as major currencies or purchase of stocks.^{clx} Funds to be generated are proposed to be remitted to an identified aid delivery modality and utilized for development.^{clxi}

b. Pertinent Details

Some forms of securities transaction tax already exist in fifteen (15) G20 countries, which if scaled up, could generate up to US\$ 15 billion annually.^{clxii} Global financial centers (e.g., Australia, Hong Kong, Japan, Singapore, South Korea, Switzerland, Taiwan, and the United States) have their own versions of FTTs which can be generally categorized "according to the principal tax design into capital duties and transfer taxes."^{clxiii} Since August 2012, France has also started to implement a national levy of 0.2pc paid on all share purchases.^{clxiv} Doing a cross-country comparison of FTTs, however, is quite thorny due to their specific peculiarities.^{clxv}

Griffith-Jones & Persaud proposed the following schemes in FTT implementation:

Categories	Implementation Schemes
FTT on locally issued securities*	“No special mechanisms are needed to implement this. The revenue authorities can establish automatic electronic stamping of certificates where there are automatic electronic payment schemes and these are likely to be established by payment settlement agents.”
FTT on foreign securities**	“The same rate as for local securities would be required to be paid by residents in their annual tax declaration of investment activity. In countries that have capital gains tax on security sales the information required to calculate the transaction tax is already declared. Additionally, there is often a withholding tax on dividends to foreign residents and so there is a substantial incentive—far greater than the tax—to declare the transaction in order to receive a tax rebate from the foreign tax authorities.”

Sources: Full text sourced from *Griffith-Jones, Stephany & Persaud, Avinash. *Financial transaction taxes*;

**Persaud, Avinash (2012). *The economic consequences of the EU proposal for a financial transaction tax*. *Intelligence Capital*

FTT projections estimate revenues to be generated anywhere from US\$ 9 billion (if a small tax of 10 basis points on equities and 2 basis points on bonds is implemented in the European economies) to as high as US\$ 48 billion (if implemented G20-wide).^{clxvi}

More optimistic projections range from US\$ 100 billion to US\$ 250 billion, particularly if derivatives are added to the equation.^{clxvii} In 2011, the European Parliament resolution on innovative financing projected that a miniscule FTT applied to a wide tax base could generate about €200 billion in the European Union and roughly US\$650 billion on a global scale.^{clxviii}

A number of countries have signed a political declaration in support of the FTT (i.e., Belgium, Benin, Brazil, Burkina Faso, Congo, Ethiopia, France, Guinea, Japan, Mali, Mauritania, Norway, Senegal, Spain, and Togo).^{clxix}

c. General Assessment

Because of its potential comprehensiveness in terms of scope,^{clxx} the FTT is projected to raise substantial revenues, particularly in countries that are major financial hubs. Aside from its potential to generate sizeable revenues, FTTs are expected to enhance the functioning of financial markets.^{clxxi} Examining the numerous forms of FTT proposals, the Leading Group (2010) reckoned that a multi-currency FTT would be “the most appropriate source of revenue to fund public goods and share the wealth generated by globalized economies.”^{clxxii}

However, the legal and technical viability of FTT’s wide-ranging mechanism remains uncertain,^{clxxiii} with some governments not inclined to support such taxes.^{clxxiv} In addition, FTTs are susceptible to the issues of “geographical asymmetry in revenue collection” and “domestic revenue problem.”^{clxxv} In 2010, the Leading Group reported that “while an FTT might be appropriate within particular jurisdictions for specific fiscal or regulatory purposes, it is less well suited to the task of funding public goods at the global level.”^{clxxvi}

4. Proposed European Union Financial Transaction Tax (EU FTT)

a. General Description/ Objectives

Proposed by the European Commission on 14 February 2013 and approved by the European Parliament in July 2013,^{clxxvii} the EU FTT scheme seeks to implement a 0.01% tax for financial transactions related to derivatives contracts, and 0.1% tax for financial transactions other than those related to derivatives contracts.^{clxxviii} It seeks to:

- (i) standardize the indirect taxation laws on financial transactions of participating Member States (PMS);
- (ii) ascertain that financial institutions will provide a just and substantial contribution to restore public funds affected by the recent financial crisis (i.e., for the financial sector to pay back the bailout fund it received from taxpayers during the crisis^{clxxix}); and,
- (iii) disincentivize financial transactions that do not improve the overall efficiency of financial markets, thereby helping deter speculative trading and the occurrence of another crisis.^{clxxx}

It is expected to come into force effective 01 January 2014^{clxxxi} initially in eleven (11) EU Member States.^{clxxxii clxxxiii}

b. Pertinent Details

The following will be taxed under the proposed EU FTT scheme: (i) all “financial transactions” involving at least one party to the transaction that is established in the territory of a PMS; and, (2) a “financial institution” established in the territory of a PMS and a party to the transaction, whether acting for its own account or not.^{clxxxiv}

The FTT is to be paid by financial institutions to tax authorities of PMS in which they are deemed to be established. Each party to a financial transaction shall be jointly and severally liable for the payment of the FTT due by a financial institution on account of that transaction. To ensure harmonized implementation, all PMS are required to craft policies necessary for the registration, accounting, reporting, and payment obligations.^{clxxxv}

The estimated revenue to be raised by the EU FTT is roughly € 31 billion every year.^{clxxxvi} A portion of this is expected to go to the EU budget as PMS contribution; while the rest will be allotted to the national budgets of the PMS.^{clxxxvii} Proceeds going to the EU budget may be offset by a decrease in the national contributions of PMS to the EU budget. A PMS may also increase its FTT rate if it wants to raise its revenue share.

c. General Assessment

Aside from the general assessment of the FTT (please see FTT discussion in preceding section) which also applies to the analysis of the EU FTT, the following are some of the key issues specific to the latter:

- Negative impacts on the financial sector:^{clxxxviii}
 - Added costs on the part of financial institutions (e.g., compliance and operational costs) and hike in capital cost;^{clxxxix}
 - Shift away from financial products covered by the EU FTT scheme;

- Relocation of financial transactions not only away from the 11 PMS but also from the entire EU region;^{cxc}
 - o Transfer of financial transactions away from London,^{cxc} EU's major financial hub, especially if the scheme is not implemented globally;^{cxcii cxciii}
- Possible deterioration of EU's single market as well as the operations of capital markets;
- Negative effects on:
 - o Investors buying financial products and on their return on investment (ROI);
 - o Derivatives and cash equities/bonds, with the former expected to decline by 75% and the latter by 15%;^{cxciv}
 - o Volume and market liquidity;
 - o US money market funds and repurchase agreements;^{cxcv}
- Negative impacts on economic expansion, investment, and employment creation;^{cxcvi} and,
- Possible weak enforcement as EU Member States outside the FTT zone and other states outside the EU jurisdictions are less predisposed to be obliged by the conditions set by the proposed Directive.^{cxcvii}

5. Proposed Currency Transaction Tax (CTT)

a. General Description/ Objective

A currency transaction tax (CTT) is a form of FTT that seeks to impose a tiny amount of tax on exchange of major foreign currencies.^{cxcviii} A number of scholarly journals have investigated the viability and advantages of CTT not only in ensuring exchange rate stabilization, but also in raising needed resources to finance global public goods (GPGs).^{cxcix}

b. Pertinent Details

The current global financial settlement systems (e.g., Continuous Linked Settlement Bank or SWIFT) can collect the CTT regardless of the location and manner of foreign exchange trading. CTT collection would be easy to implement automatically and electronically via existing financial institutions at low cost.^{cc} It can be programmed to be collected at the point where currency transactions are settled through established financial networks.

A number of literatures have projected the huge amount that could be generated from CTT, as follows:

Sources	Projections
Barbier (2011)	"In 2007, foreign exchange transactions totaled US\$ 800 trillion, which means that even a negligible tax rate could raise substantial revenues for global public goods." ^{cci}
UN (2009)	"CTT could generate approximately US\$ 33B annually in the region covered by the Organization for Economic Cooperation and Development (OECD) if a coordinated 0.005% tax on all the major currencies is implemented." ^{ccii}

Sources	Projections
Addison & Mavrotas (2004)	"The tax could generate at a minimum \$15-28bn for global public use." ^{cciii}
Binger (2003)	"A tax of 0.2 percent combined with a 50 percent reduction in transactions and existing trading volume of US\$ 300 trillion would generate annual revenue of about \$ 300 billion. A tax of 0.1 percent would yield annual revenue of US\$ 132 billion." ^{cciv}
Carnegie Council on Ethics & International Affairs (undated)	"A lower tax rate of only 0.01% could generate an annual revenue of \$ 17 billion to \$19 billion, while 0.02% could generate \$30 billion to \$35 billion." ^{ccv}

c. General Assessment

As concluded by a UN paper, collecting CTT "would be administratively inexpensive and compliance costs would be low."^{ccvi} Dodging CTT payment would also be difficult due to modern and centralized settlement systems,^{ccvii} which play an important role in implementing collection as in the cases of United Kingdom and Norway.^{ccviii}

Furthermore, CTT is expected to dampen currency speculations, thereby helping thwart financial and economic instability. Only tiny additional costs would be borne by low-income groups, and its overall effect is presumed to be redistributive.^{ccix} Revenues are expected to be collected in an "asymmetrical manner" by countries with global financial hubs and would be redistributed globally to fund GPGs.^{ccx}

In 2010, after examining the intricate legal and technical issues on the global implementation of the CTT, the Leading Group on Innovative Financing to Fund Development concluded that it is technically and legally feasible.^{ccxi}

Notwithstanding its advantages, the CTT proposal has not taken off since talks about it started in 1972 mainly due to the following reasons:^{ccxii}

- No country is willing to spearhead and unilaterally carry out CTT with the probability that other countries would also do the same or follow,^{ccxiii}
- Possible discord on the utilization of collected revenues considering that the CTT could generate enormous funds from just a few countries that are major financial hubs,^{ccxiv} and,
- Problems in CTT collection due to the possible avoidance schemes to be employed by currency traders (although pro-CTT proponents have identified compelling methods to counter these avoidance schemes).

6. Advance Market Commitments (AMC)^{ccxv}

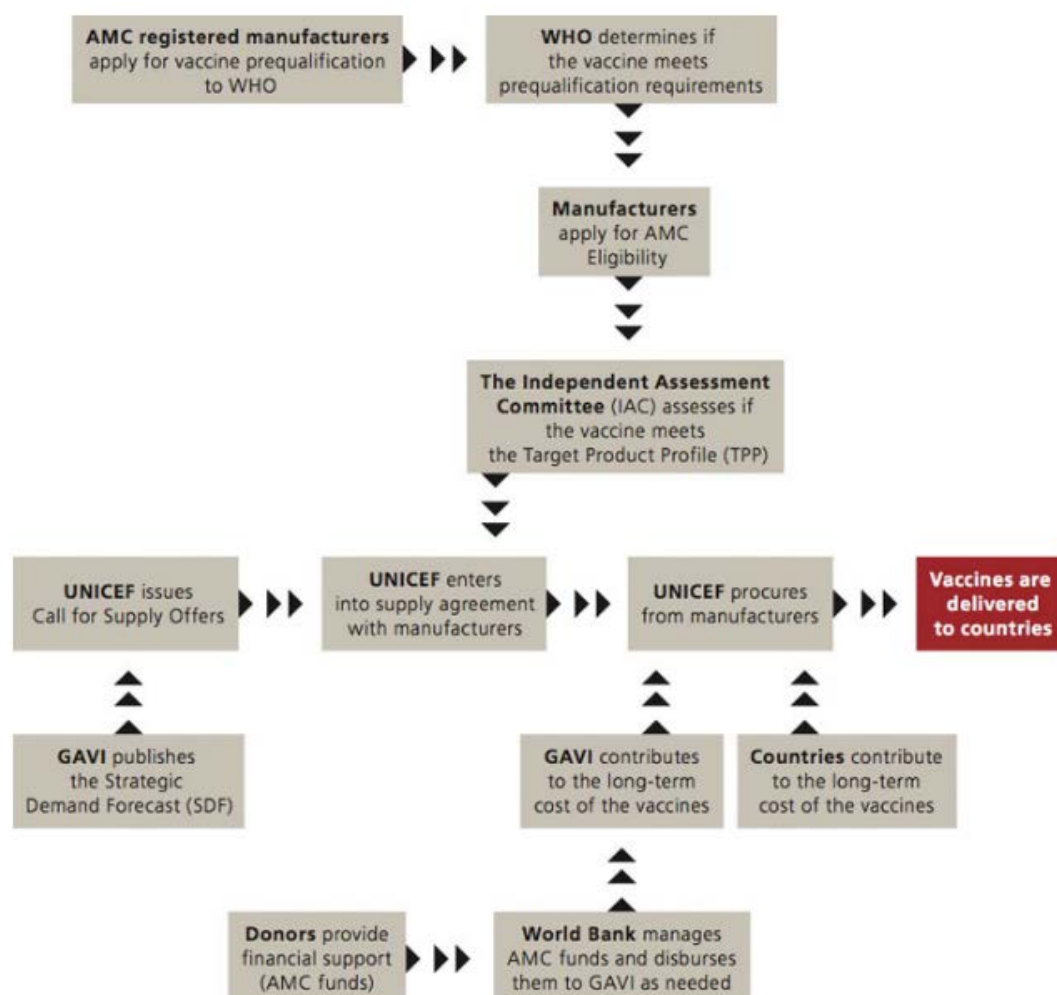
a. General Description/ Objective

Donor countries, the private sector, and the Bill and Melinda Gates Foundation commit funds to guarantee the price of pneumococcal vaccine as an incentive for pharmaceuticals to develop an otherwise non-commercially viable product, thereby speeding up the global roll-out of vaccines to address the leading causes of child deaths around the world.

b. Pertinent Details

The AMC, which was launched in 2007 by Canada, Italy, Norway, Russia, United Kingdom, and the Bill and Melinda Gates Foundation, is being managed by the GAVI Alliance.

Following the AMC process, donors provide their grant payments to the World Bank based on a specific schedule. The UNICEF then issues Calls for Supply Offers based on a 15-year Strategic Demand Forecast (SDF) published by the GAVI, evaluates all offers, and enters into supply agreements with manufacturers whose products passed the eligibility criteria set by an Independent Assessment Committee (please see AMC flowchart below).



Source: GAVI Alliance website

A total of US\$1.5 billion has been committed by donors since the AMC's establishment, as follows: Italy (US\$ 635 million), United Kingdom (US\$ 485 million), Canada (US\$ 200 million), Russia (US\$ 80 million), Norway (US\$ 50 million), and Bill and Melinda Gates Foundation (US\$ 50 million).

c. General Assessment

In their paper *"Health financing: Evolving context, evolving methods,"* Porcher and Kerouedan (2011) pointed out the sustainability of the AMC especially if it is able to attain its goal to reduce the price of vaccines through "market creation" and "long-term legally-binding supply commitments." The authors mentioned that the AMC has assisted in stimulating the creation of a pneumococcal vaccine market, which has consequently cut down vaccine prices by as much as 90%, thereby hastening the roll-out of these vaccines in developing countries.^{ccxvi}

In its recent annual report, the AMC reported that 70% of eligible countries (or 51 out of 73) have been allowed to initiate pneumococcal vaccines, with 24 countries having already rolled them out. The program has benefitted a total of 10 million kids for the period 2010-2012, with 75 million more children expected to be vaccinated by 2015 in 57 countries and, if further expanded, will prevent 1.5 million fatalities by 2020.^{ccxvii}

The AMC's predictability, however, is dependent on the monetary contribution of donors and the keenness of manufacturers to be involved in "market creation." Also, because monies used to stimulate "market creation" are ODA, resources generated are not considered additional.^{ccxviii}

Issues on whether the AMC is indeed market-shaping have likewise been raised^{ccxix} by several authors, with some calling the AMC idea a "theoretical flaw."^{ccxx} For example, using an econometric model, Leoni (2012) found out that "current AMCs suffer from a severe Time Inconsistency problem," adding "that a rational pharmaceutical company behaves in equilibrium as if no such mechanism were available." The study further revealed that "when a realistic assumption holds, the optimal AMC with credible commitment always leads in equilibrium to the lowest acceptable chance of having a successful medical innovations [sic], given announced compensations."^{ccxxi}

In his report entitled "*Promises and Realities of the Advance Market Commitment: Minimizing the number of poor children saved*," Light (2010) also critiqued the flawed AMC blueprint because of its high-priced agreement with manufacturers,^{ccxxii} and proposed practical options that would mix advance buying of vaccines at low cost while simultaneously allowing for sharing of intellectual property license with the latter.^{ccxxiii} In 2011, Wilson and Palriwala suggested that a provision in the AMC agreement with manufacturers should stipulate the eventual granting by the latter of non-exclusive license to a licensing consortium or eligible third parties.^{ccxxiv}

7. Clean Development Mechanism (CDM)^{ccxxv}

a. General Description/ Objectives

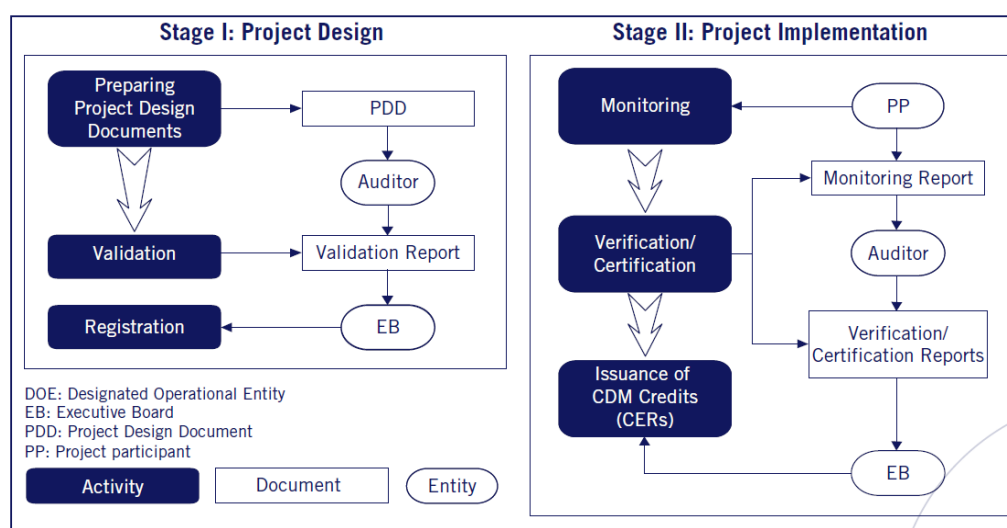
An industrialized country committed to reduce emissions under the Kyoto Protocol earns saleable certified emission reduction (CER) credits when implementing emission-reduction projects in developing countries.^{ccxxvi}

b. Pertinent Details

Earned CER credits, with each equal to one ton of CO₂, may be traded in emissions trading schemes (i.e., carbon market). A 2% levy on these credits goes to the Adaptation Fund that finances climate adaptation projects in developing countries of the Kyoto Protocol.^{ccxxvii} As of 2011, the Adaptation Fund has financed eleven (11) projects in developing countries amounting to about US\$ 70 million. The following countries have benefited: Ecuador, Eritrea, Honduras, Maldives, Mauritius, Mongolia, Nicaragua, Pakistan, Senegal, and Solomon Islands.^{ccxxviii}

The CDM Executive Board,^{ccxxix} which operates under the guidance of the UNFCCC Parties, supervises the CDM implementation, following the CDM processes on project design,

validation, and registration (Stage 1), and project verification and issuance of CDM credits (Stage II).^{ccxxx}



Source: Gillenwater, Michael & Seres, Stephen (2011). *The Clean Development Mechanism: A Review of the First International Offset Program*. Prepared for the Pew Center on Global Climate Change.

c. General Assessment

The CDM raises revenues that are additional to ODA. Since it facilitates trading of a unique global product (e.g., carbon), it has high potentials for scale-up given appropriate political support by countries, although revenues generated may be less predictable as priority is reduction in greenhouse gas (GHG) emissions rather than resource generation.^{ccxxxi}

With the continuous plummeting of carbon prices in the CDM market by up to 70% in the recent years,^{ccxxxii} the CDM may be at the brink of collapse unless serious reforms are implemented soon.^{ccxxxiii} In 2012, the CDM Executive Board reported that the CDM confronts the dual challenges of fading demand for CERs^{ccxxxiv} as well as ambiguity on the level and timing of future demand.^{ccxxxv}

The CDM has likewise been hounded by issues, such as unequal sharing of benefits, long and thorny registration procedure, high transaction costs, and exclusion of certain sectors,^{ccxxxvi} with some critics questioning its effectiveness in addressing climate justice, equity, and sustainable development.^{ccxxxvii} Moreover, issues have been raised as to the capacity of poorer nations to attract and apply for CDM funds. As Prouty (2009) put it, “the CDM favors more-developed developing nations like China, Brazil, and India, while forcing the least-developed nations to compete on investors’ terms. When these poorer nations are not bypassed altogether, they are pressured to approve potentially undesirable projects or lose needed investments.”^{ccxxxviii}

8. European Union Emissions Trading Scheme (EU ETS)

a. General Description/ Objectives

Launched in 2005, the European Union Emissions Trading System (EU ETS) seeks to assist EU countries to reach their GHG reduction targets in a cost-effective matter by enabling participating companies in twenty-seven (27) EU Member States and three (3) members of

the European Economic Area (i.e., Norway, Iceland, and Liechtenstein) to trade emission allowances depending on their allowable GHG emission cap.^{ccxxxix}

b. Pertinent Details

Operating on a “cap and trade” principle, the EU ETS puts a cap on the volume of GHGs that may be emitted by industrial/power plants, factories, other companies included in the EU ETS. Beginning 2013, the cap will be cut by 1.74% annually—which is expected to translate by 2020 into a 21% reduction of GHG emissions (compared to 2005 baseline emissions data).^{ccxi}

Specifically, under the EU ETS, if a company’s emission allowance^{ccxli} in a given year is below its allowable cap, it may opt to sell its surplus in the carbon market; if otherwise, it is obliged to purchase the same, which should be equivalent to its excess emissions. At present, the EU ETS covers more than 10,000 installations in the manufacturing and power sectors, which together account for roughly half of the EU’s CO₂ emissions and 40% of its GHG emissions.^{ccxlii} Governments covered by the EU ETS may auction/sell emission permits or distribute them for free, with proceeds from their auctions/sales accruing to them. Companies may receive some allowances from governments for free under the scheme.

From 2008-2009, Germany had raised approximately €1.5 billion from the EU ETS and had allotted about €327 million to assist in international climate finance in developing countries. The scheme could potentially generate between €2.2 billion and €2.9 billion annually.^{ccxliii} Proceeds raised from the aviation industry could also serve as a significant source of revenues in the long term as the sector has been included in EU ETS since 01 January 2012.^{ccxliv}

The EU Directive has proposed that half of the revenues raised through the EU ETS be utilized to fund climate change adaptation and mitigation programs within and outside the European Union.^{ccxlv}

c. General Assessment

Technically, the revenues raised through the EU ETS are considered new revenue streams. Nonetheless, donors, as in the case of Germany, may include earnings from their auctioning/sales of emissions in their development cooperation budget and report them as ODA.^{ccxlvi}

Since it facilitates trading of a unique global product (e.g., carbon), it has high potentials for scale-up given appropriate political support by countries, although proceeds raised may be less predictable as priority is cutting-down of GHG emissions rather than resource generation.^{ccxlvii}

The EU ETS has been beset by several issues, chief of which are the large surplus of allowances and the consequent plunging of the price of EU ETS carbon credits. The Carbon Trade Watch (2011) pointed out the problems of over-allocation of permits (e.g., governments issuing too many emission allowances), windfall profits amassed by polluting energy-intensive companies, price fluctuations, and the EU ETS’ failure to achieve its major targets.^{ccxlviii}

With the plummeting of prices, doubts have been raised on the scheme’s efficacy to stimulate investments on low-carbon technologies, and on its ability to adjust during major economic aberrations,^{ccxlix} like the 2008 global economic crisis.

The European Commission has recently undertaken structural reforms to address the aforesaid issues.^{cc1}

9. Carbon Tax

a. General Description/ Objectives

A carbon tax is an indirect tax imposed on the carbon content of fossil fuels (e.g., gas, coal, and oil) that is computed based on each ton of CO₂ emitted into the atmosphere.^{cc1} Primarily, it seeks to curtail the consumption of fossil fuels which are responsible for CO₂ emissions causing global warming and climate change. The tax is also an indirect way to incentivize the shift away from the use of fossil fuels to renewable energy sources (e.g., solar, wind, geothermal).

b. Pertinent Details

Since the 1990s, several countries/jurisdictions have carried out an assortment of carbon taxes. Based on a review of carbon taxes conducted by Sumner, et al. (2009), the following are some examples.

COUNTRY / JURISDICTION	YEAR IMPLEMENTED	BRIEF DESCRIPTION	REVENUES RAISED
Finland	1990	<ul style="list-style-type: none"> Subject to tax are coal, natural gas, and liquid fuels. Carbon tax has been increased to \$30 (€20)/ton of CO₂ effective 01 January 2008. 	\$750 million (€500 million)
Netherlands	1990	<ul style="list-style-type: none"> Carbon tax is applied to natural gas, electricity, blast furnaces, coke ovens, refinery and coal gas, coal gasification gas, gasoline, diesel, and light fuel. As of 1996, the tax rate was \$20/ton of CO₂. 	\$4.819 billion (€3.213 billion)
Norway	1991	<ul style="list-style-type: none"> Sectors levied this tax are gasoline, light and heavy fuel oil, and oil and gas in the North Sea. Paying reduced fee are pulp and paper industry, fishmeal industry, domestic aviation, domestic shipping of goods, and the continental shelf (supply fleet). The tax rate ranges from \$15.93 (NOK 89)/ton of CO₂ to \$61.76 (NOK 345)/ton of CO₂. 	
Sweden	1991	<ul style="list-style-type: none"> Industries, like manufacturing, agriculture, co-generation plants, forestry and aquaculture, pay a lesser fraction of the standard rate. In 1996, the rate was \$55.57 (370 SEK)/ton of CO₂. From 1999 to 2003, it had climbed to \$104.83 (910 SEK)/ton of CO₂, while the rate for industry had stabilized at about \$23.04 (200 SEK)/ton of CO₂. 	Roughly \$3.65 billion (25 billion SEK) every year in 2005, 2006, and 2007

COUNTRY / JURISDICTION	YEAR IMPLEMENTED	BRIEF DESCRIPTION	REVENUES RAISED
Denmark	1992	<ul style="list-style-type: none"> Carbon tax is applied to fossil fuels. As of 2008, the rate was \$16.41 (90 DKK)/ton of CO₂. 	About \$905 million in 2008
United Kingdom	2001	<ul style="list-style-type: none"> Applicable only to industrial and commercial sectors, the tax is levied on electricity, natural gas supplied by a gas utility, liquefied petroleum gas or other gaseous hydrocarbons supplied in a liquid state for heating, and solid fuel (e.g., coal and coke, lignite, semi-coke of coal or lignite, and petroleum coke). 	\$1.191 billion (£714 million) for 2006-2007; \$1.167 billion (£700 million) for 2007-2008 and for 2008-2009
Boulder, Colorado	2007	<ul style="list-style-type: none"> The tax, which is equal to \$12-13/ton of CO₂, is levied on electric consumption. 	\$846,885 (in 2008); \$1,609,000 (in 2010); \$1,203,000 (in 2012)
Quebec, Canada	2007	<ul style="list-style-type: none"> The tax is levied on consumption of fossil fuels at a rate of \$3.20 (C\$3.50)/ton of CO₂, with annual changes based on sales volume. 	Projected at \$191 million (C\$200 million) annually
British Columbia, Canada	2008	<ul style="list-style-type: none"> Imposed on transportation fuels, natural gas, and fuels used in industrial processes, the tax started at \$9.55 (C\$10)/ton of CO₂, with a provision to annually go up by \$4.77 (C\$5) to attain a level of \$28.64 (C\$30)/ton of CO₂ by 2012. 	\$292 million (C\$306 million) for fiscal year 2008-2009; with projections to increase further in succeeding years
Bay Area Air Quality Management District, California	2008	<ul style="list-style-type: none"> The rate levied is \$0.045/ton of CO₂ equivalent. 	Projected to generate \$1.1 million
Australia ^{cclii}	2012	<ul style="list-style-type: none"> Carbon taxes are collected from about 500 facilities that discharge above 25,000/ton of CO₂ annually. Beginning at a rate of \$23/ton of CO₂ in July 2012, the tax will increase to \$24.15 in 2013/14 and \$25.40 in 2014/15. 	

Source: Sumner, Jenny; Bird, Lori & Smith, Hillary (2009). *Carbon Taxes: A Review of Experience and Policy Design Considerations*. Technical Report. National Renewable Energy Laboratory. Retrieved from <http://www.nrel.gov/docs/fy10osti/47312.pdf> (last visited 10 November 2013).

In 2009, the United Nations estimated that about US\$75 billion could be generated from carbon taxes.^{ccliii} In 2010, the UN Secretary General's High-Level Advisory Group on Climate Change Financing noted that roughly US\$10 billion could be raised by 2020 if \$1/ton of CO₂ is levied on all energy-related CO₂ emissions in the "OECD+" countries.^{ccliv}

In addition, both the International Monetary Fund and the World Bank have suggested the imposition of carbon taxes on aviation and ship fuels in high-income economies; if successfully implemented, the scheme could produce revenues of about US\$250 billion by 2020.^{cclv} A smaller global carbon tax of US\$2/ton of CO₂, with exception on the first 1.5 tons/capita, was also put forward by the Swiss government to raise around US\$48 billion annually.^{cclvi}

c. General Assessment

Although carbon tax can produce supplementary and sustainable revenues, its additionality is yet uncertain as it is contingent on whether implementing governments will incorporate resources generated into their ODA budget.^{cclvii} A study conducted by Sumner, et al. (2009) showed that revenue utilization from carbon taxes differed significantly across countries, with about 50% going to sectors subject to the tax to compensate for the burden, and the rest going to government funds and/or particular carbon-mitigation programs.^{cclviii}

In general, carbon taxes have high opportunities for expansion and their sustainability will remain for as long as there is extensive consumption of fossil fuels.^{cclix}

However, the predictability of carbon tax as an innovative financing is contingent on its delivery modalities. Its implementation is also dependent on political buy-in. Confronted by local pressure from their constituents, implementing governments would want to keep some proceeds for domestic use. Furthermore, any harmonized global action on carbon tax will face political hurdles, such as ensuring that low-income countries (or sectors) are not regressively weighed down by a disproportionate tax.^{cclx}

10. UN Collaborative Programme on Reducing Emissions from Deforestation and Forest Degradation (UN-REDD)^{cclxi}

a. General Description/ Objectives

Launched in 2008, the UN-REDD is a form of Payment for Ecosystem Services (PES) that incentivizes forest people/occupants, farmers, and governments in developing countries to protect their forests by creating a monetary value for carbon stored in forest trees and paying them for their forest conservation efforts. ODA from developed countries are used to pay them carbon offsets.

b. Pertinent Details

The UN-REDD has a policy board^{cclxii} which determines its program focus and funding allocation. Its Geneva-based secretariat assists in carrying out program implementation by coordinating its work with the UNEP, FAO, and UNDP. The following are the phases of UN-REDD implementation:

- *Phase 1:* Development of a REDD+^{cclxiii} strategy assisted by donations;
- *Phase 2:* Implementation of a REDD+ strategy assisted by (i) donations or other monetary assistance for capacity-building, and enabling strategies and guidelines, and (ii) compensation for emission cuts calculated through use of proxies; and,
- *Phase 3:* Sustained implementation of REDD+ strategy within the framework of low-carbon development, and payment for validated emissions reduction or removals.

At present, donations for the UN-REDD amount to US\$118.3, coming mostly from the contributions of Denmark, Japan, Spain, and Norway, with the latter being its first and largest donor.^{cclxiv} Thus far, the UN-REDD has supported program activities worth US\$67.3 million in sixteen (16) partner countries.

c. General Assessment

The UN-REDD is a PES scheme that is financed through conventional ODA. Because of its reliance on ODA, its sustainability, predictability, and “scale-ability” are limited. It is worth noting, however, that there are other types of PES schemes, like some being carried out nationally by developing countries in Latin America, which are not financed through conventional ODA.^{cclxv}

Analyzing the challenges and choices of the REDD+, the Center for International Forestry Research (2012) noted that the mechanism’s small scale and “aid-ification” have affected its rate of implementation.^{cclxvi} It identified four (4) key challenges in implementation, as follows: (i) accurate measurement, assessment, reporting, and verification of carbon stocks in forests; ^{cclxvii} (ii) making payments [e.g., types, payees, and manner of payment]; (iii) accountability; and, (iv) funding.^{cclxviii}

In its assessment report, the Meridian Institute (2009) suggested that “to ensure predictability, international REDD financing should be clearly identified and funding commitments firm, verifiable, and enforceable,” proposing further that “international REDD finance would complement domestic funding by REDD countries in accordance with their respective capabilities, taking into account preexisting national efforts and expenditures in sustainable forest management, forest protection, and forest inventories.”^{cclxix}

To ascertain its financial sustainability, the UN-REDD is in the process of searching for financing alternatives. During the UNFCCC’s 18th COP session, the COP resolved to commence a work program on results-based finance in 2013 in order to contribute to the current efforts to expand and enhance the efficacy of finance for REDD+ activities, thereby ensuring their complete and comprehensive implementation.^{cclxx}

11. Proposed Arms Trade Tax

a. General Description/ Objective

The proposed arms trade tax is a levy to be imposed on the sale and trade of arms in order to fund global development work, disarmament, and even payment for victims of specific weapons.^{cclxxi} The Carnegie Council on Ethics and International Affairs defines it as a form of “tax on trade of conventional arms covered in the UN Register of Conventional Arms.”^{cclxxii}

b. Pertinent Details

Although concrete mechanisms for the collection of the proposed tax have not yet been identified, most likely it would depend on the taxing system of implementing governments. Concerned government revenue agencies are expected to collect and remit their tax collection to an international organization that would be responsible for its management and allocation.^{cclxxiii} Ideally, tax collection should be done at the point of export as there are only a few countries exporting weapons (i.e., mostly developed industrialized countries which have more capable and efficacious customs and tax collection system as well).^{cclxxiv}

The following literatures have estimated the revenues that could be raised by the proposed tax:

Sources	Projections
Carnegie Council on Ethics & International Affairs (2003)	A 5% tax rate would generate an annual revenue of US\$ 2.5 billion. ^{cclxxv}
Brzoska (2001)	Assuming that the trade volume of weapons amounts to US\$ 50 billion, ^{cclxxvi} a 10% tax on arms trade could raise yearly revenues of US\$ 5 billion. ^{cclxxvii}
Burrows (2000) as cited in Dunne (2007)	Projected that a 1% arms trade tax could raise about US\$ 326 million while a 10% tax could generate about US\$ 3 billion ^{cclxxviii}
ILO (1994) as cited in Dunne (2007)	Estimated revenues from a 10% tax at US\$ 2 billion and from a 25% tax at US\$ 5 billion for 1994 ^{cclxxix}

Estimated implementation cost of the proposal is about US\$ 500 million.^{cclxxx}

c. General Assessment

In general, proponents of the tax identified the following advantages: reduction in the volume of arms trade and expenditures on purchases of weapons; compensation for war victims;^{cclxxxi} generation of resources for international development, including addressing the problems of conflicts and poverty.^{cclxxxii}

Although the proposal has been discussed in various fora (e.g., United Nations General Assembly and G8 summit) since the 1950s,^{cclxxxiii} it has failed to take off due to the lukewarm reception of countries involved and partly due to political impediments.^{cclxxxiv} Its critics argue that it is hard to persuade governments of weapons-producing countries to implement it, adding that arms suppliers will not consent to it unless it is applied to all major suppliers. Moreover, there seems to be no enforcement agency that can oversee its implementation and penalize non-complying countries.^{cclxxxv}

Aside from the difficulty of attaining compliance, other issues raised are: possible tax avoidance through illicit trade and local arms production; tax burden on the part of buyers which are mostly developing countries; and, “fundamental objections against demeritorizing arms transfers and against differential treatment of domestic production and exports.”^{cclxxxvi}

From the point of view of disarmament, Vignard (2003) pointed out that the proposal has a “perverse disadvantage” of binding resource generation with the perpetuation (rather than reduction) of arms trade.^{cclxxxvii}

D. Private/Semi-Private Contributions to Global Initiatives (apart from contributions directly made by philanthropic organizations)

1. (Product) RED^{cclxxxviii}

a. General Description/ Objective

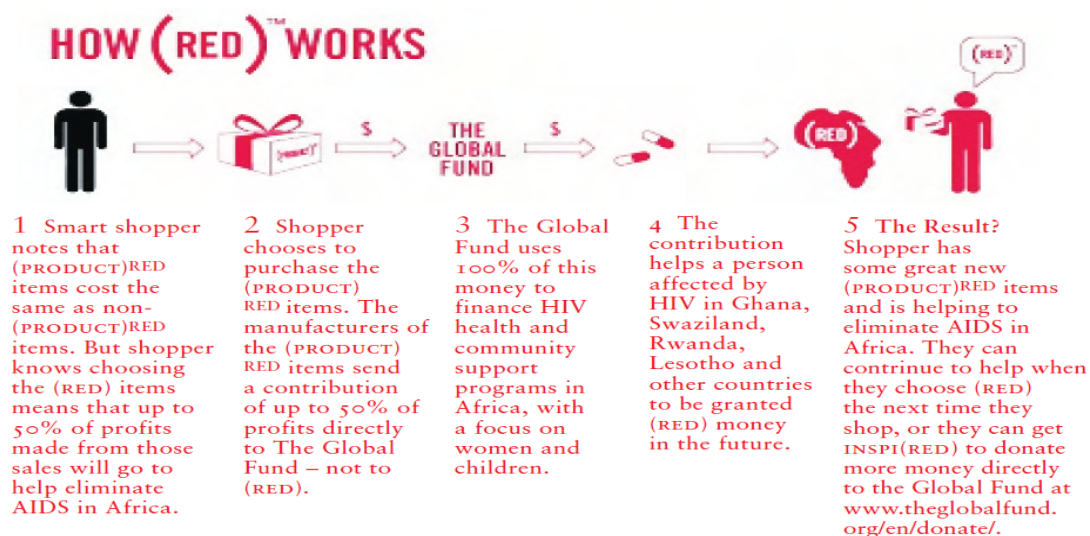
In 2006, during the World Economic Forum meeting in Switzerland, celebrities Bono and Bobby Shriver, the Global Fund, and six (6) inaugural company partners^{cclxxxix} unveiled the (Product) RED^{ccxc}—a financing mechanism that seeks to leverage private sector resources in order to help finance the Global Fund’s anti-HIV/AIDS program in sub-Saharan Africa.^{ccxci}

Considered a form of voluntary solidarity contribution^{ccxcii} and a type of blended value product which mixes consumption with philanthropy,^{ccxciii} the (Product) RED enables partner companies that agree to trademark their product as (Product) RED to donate a portion of their profit to the Global Fund.

As Ponte, et al. (2008) put it, the (Product) RED is “built upon the principle that ‘hard commerce’ can be an appropriate vector for raising funds for good causes,” while at the same time, partner companies can utilize it as “a fashionable accessory of brand management” to help improve their profit margins.^{ccxciv}

b. Pertinent Details

Partner companies^{ccxcv} develop products that carry the (Product) RED logo^{ccxcvi} and have them labeled as (Product) RED. Then they pledge to donate up to 50% of their profits from (Product) RED sales directly to the Global Fund. They also pay a separate licensing fee for utilizing the (Product) RED trademark, but this does not change the proceeds remitted to the Global Fund nor the price of (Product) RED products.^{ccxcvii}



Sources: (RED) company documents; The I–8 Group Leading Innovative Financing for Equity (L.I.F.E.)

On average, each partner company annually donates about US\$ 1 million to the Global Fund. Since 2006, this funding mechanism has mobilized a total of US\$ 195 million for the Fund.^{ccxcviii}

Establishing a monopoly element by permitting only one company to be licensed under each product category, the (Product) RED enables partner companies to create a niche market to earn more profits. It also increases public awareness; serves as a medium to get the support of “conscience consumers”; and, leverages donations from various sectors to fund a noteworthy cause in Africa.^{ccxcix}

Donations from the (Product) RED are allocated by the Global Fund in the form of grants based on certain performance targets of grantees in Africa.^{ccc}

c. General Assessment

A predictable private sector-led funding mechanism, the (Product) RED has lower transaction cost because it relies mainly on the collection system of partner companies. It can also be scaled up by getting the support of more philanthropic companies to donate to the cause.^{ccci}

Nonetheless, the scalability of (Product) RED is “dependent on demand,” and its replicability faces the “risk of competition among alternative brands.” Critics also point out that it is less efficient and even lacks accountability and transparency, particularly on the exact amount (or percentage of profits) that companies actually remit to the Global Fund.^{cccii} Aside from this, critics indicate that companies actually spend more money on marketing and advertising of (Product) RED and, banking on a philanthropic platform, use the (Product) RED as a marketing ploy to earn more profits, thereby raising issues of unreliability and inefficiency.

2. Digital Solidarity Levy

a. General Description/ Objective

In 2003, former Senegal President Abdoulaye Wade proposed the idea of creating a Digital Solidarity Fund (DSF) during the World Summit on the Information Society (WSIS) in Geneva.^{ccciii} The DSF seeks to collect 1% of the contract price of bids on information and communication technologies (ICT) products and services in order to address the problem of “global digital divide.”^{ccciv} It endeavors to take full advantage of ICTs in pursuing development by building an inclusionary, just, and solidarity-based information society.^{cccv}

b. Pertinent Details

The DSF operates by enabling public or private entities to voluntarily donate 1% of their digital procurement contracts to the Fund.^{cccv} Such payment, however, may also be viewed as semi-obligatory as participating entities oblige themselves to pay the required 1% to the Fund.^{cccvii}

The DSF is governed by the Digital Solidarity Foundation which is comprised of bodies, such as the Executive Committee, Scientific Committee, Honour Committee, Spokesman, President Wade’s Representative, Secretariat, Regional Office for Africa, and the Foundation Board.^{cccviii}

A major component of the Fund is the one-shot contribution of members amounting to €300,000 each. Members that give the required contribution may participate in the Foundation Board’s meetings. As of 31 December 2005, the collected money from the contribution of its founding members^{cccix} was €5,354,444.^{cccix}

The DSF allocates its funds using the following formula: 60% for projects benefiting least developed countries; 30% for projects benefiting developing countries; and, 10% for projects benefiting developed countries or countries in transition.^{cccxi} Since 2003, more than €30 million has been disbursed to about 300 grantees.^{cccxi}

c. General Assessment

The DSF has implemented several successful programs in Africa, such as the E-Waste initiative, Connect Africa, and even HIV/AIDS program interventions. It has in the process leveraged additional donations from other funding agencies. It has also helped propel discussions on the feasibility of redeployment of resources from high-income to low-income countries, and has inspired other countries^{cccxi} to pursue analogous schemes.^{cccxiv}

A major criticism against the DSF is its charitable model of financing which has prevented it from taking off. Evaluators are suggesting that a *mandatory* contribution of fees is necessary to sustain the initiative, including the compulsory collection of “email, Internet, or bit tax”^{cccxi} and other similar mandatory taxing schemes.

Aside from its problematic funding method (i.e., mainly voluntary), other issues that have affected the DSF are: (a) lack of resources and personnel; (b) inadequate data^{cccvi} on its resources/funding and actual program outcomes and results; (c) dominance of Western governments in the World Summit on Information Society, effectively outnumbering the participants from low-income countries and civil society organizations; (d) alleged misallocation of resources and apprehensions of African delegates that its resources are mainly used up to finance staffing in Geneva rather than on meaningful projects in Africa.^{cccvi}

In 2009, the DSF faced serious organizational issues when its Foundation Board during its Extraordinary Meeting deliberated on the “dissolution of the Digital Solidarity Fund Foundation and the creation of a new foundation under Senegalese law,” owing to “the strategic deadlock regarding implementation of the 1% digital solidarity principle and the financial deadlock that the Fund is currently facing.”^{cccviii}

On 27 January 2009, the body finally agreed to terminate the Swiss DSF and to commence a new self-governing organization in Africa to be administered by Africans stakeholders themselves.^{cccix}

3. Proposed Mobile Phone Voluntary Solidarity Contribution (VSC)

a. General Description/ Objective

The proposed mobile phone voluntary solidarity contribution (VSC) is an IFM that enables private individuals or corporations to donate, through their mobile phone bills, a one-time or recurring contribution for development.^{cccix}

b. Pertinent Details

In the proposed VSC scheme, collection is to be done through the phone bills of mobile phone subscribers. This may be undertaken by countries or organizations supporting it.

Based on a projection made by the Taskforce, this financing mechanism could potentially raise from €200 million to €1.3 billion every year.^{cccxi}

Collecting mobile phone VSC would be simple because it would only be included in the phone bills of mobile phone subscribers^{cccxxii} who agree to donate a certain amount. The cost of establishing and operating it would be only about 1% to 3% of generated revenues.^{cccxxiii}

Since mobile phone VSC is voluntary in nature, implementing governments and organizations may also consider collecting mandatory taxes to augment VSC collection. This can be done by taxing mobile phone users for every SMS (short messaging system) message sent or phone calls made, and by taxing mobile phone companies providing such services.^{cccxxiv} A projection made for CY 2009 estimated the amount that could be raised by a 10% tax on mobile phone companies at about US\$ 30 million.^{cccxxv}

c. General Assessment

In view of the robust mobile phone industry worldwide (i.e., about 3.5 billion mobile phone users and at least US\$ 750 billion industry revenues globally), this financing mechanism is sustainable and predictable because resources to be generated are directly tied up with the mobile phone bills of subscribers, and also because the customer base of mobile phones is steadily expanding through the years.^{cccxxvi} Its sustainability, however, will greatly hinge on effective promotional campaign to attract mobile phone users to donate.

Compared to a mandatory mobile phone levy, voluntary donations are much preferred as the former is vulnerable to political pressures and criticisms by interest groups and affected sectors.

IV. Potential Sources of Funds for Treaty Implementation at Country Level

One or more of the following sources of funds are currently being collected from the tobacco industry by Parties to the FCTC to form part of the general budget of the national treasury or earmarked for tobacco control or health promotion programs of the government. In other words, these are used for country-level activities to implement the FCTC. However, it bears stressing that a part of this may also be contributed to a voluntary global fund, trust fund, or other mechanism in order to supplant funding for new activities undertaken to promote international cooperation or multi-sectoral collaboration at the global or regional level, or merely to augment the traditional sources of the treaty budget, the voluntary assessed contributions (VACs), and extrabudgetary contributions.

A. Tobacco Sources

1. Excise Tax on Tobacco Products

a. General Description/ Objective

An excise tax is levied on the price of tobacco products/cigarettes and paid by their manufacturers. Customarily, excise taxes are passed on by manufacturers to their buyers by adding them to the final selling price of tobacco products/cigarettes.

Decisions whether to specifically allocate a certain amount or share for health is dependent on policy deliberations by lawmakers at the country level. Some countries allow earmarking of the tax collected to fund health promotion (e.g., Thailand and Mongolia)^{cccxxvii} Considering

that 82% of smokers live in low-income countries, “dedicating part of the revenues from tobacco excise taxes for health purposes makes sense and can be easily justified for correcting market failures, reducing negative externalities, and protecting public health.”^{cccxxviii}

b. Pertinent Details

Excise taxes are collected by government revenue departments and their utilization are typically decided upon by finance/budget ministries unless specifically earmarked based on legislation. The WHO has proposed the imposition of excise taxes of at least 70% of the price of each cigarette pack.^{cccxxix} As of 2008, the average excise tax rate for low-income countries was only 25.4%, while the excise tax rate for high-income countries was 53.3%; on average, the global excise rate was only 37.4%.^{cccxxx}

A number of literatures have estimated the revenues that could be derived from excise tobacco collection, such as:

Sources	Projections
Stenberg, et al. (2010)	Using data available for twenty-two (22) of the forty-nine (49) countries classified by the World Bank as “low-income” in 2009, the projection estimated that “the aggregate revenues from their taxes was 2.85 billion USD, and that increasing their excise taxes by 50% could generate a total of 1.42 billion USD. The excise tax of the twenty-two (22) sampled countries as of 2010 ranged from 11% to 52% of the retail price of the most sold cigarette brand. In nominal terms, their excise tax amount varied from US\$ 0.03 to 0.51 per pack.” ^{cccxxxi}
Ross, et al. (2006)	“In South-East Asia, a study indicated that a 5% increase in real cigarette price would generate substantial additional revenue for the region. Such a tax could generate an extra US\$ 8,300 million for Indonesia, US\$ 4,750 million in Thailand, US\$ 994 in Bangladesh, US\$ 725 million for Sri Lanka, and US\$ 440 million for Nepal by 2010...” ^{cccxxxii}
	“In Thailand, the excise tax on cigarettes was increased on ten occasions, from 55% in 1992 to 85% in 2009. This created a large amount of government income, from 15,438 million baht in 1992 up to 41,823 million baht in 2007.” ^{cccxxxiii}

c. General Assessment

Because demand for cigarettes is relatively inelastic vis-à-vis price, numerous low-income countries could potentially raise additional revenue by increasing their excise tax rate up to 70% as recommended by the WHO. Collecting additional excise tax on tobacco is a potential innovative way to fund health programs as it can mobilize extra resources particularly for low-income countries where most of the world’s smokers are located.^{cccxxxiv} In general, a tobacco tax is a highly reliable and predictable source of government revenues.^{cccxxxv}

A major hurdle in enacting a law for higher excise tax is the tough opposition and lobbying by the moneyed and influential tobacco industry. Assuming that a law is successfully enacted, other challenges to be dealt with by revenue departments is how to sustain the revenue base and flow because of various factors, such as tax evasion, consumption trends, and the tobacco industry’s policy responses.^{cccxxxvi}

On the whole, over 100 studies validate the fact that tobacco excise tax does not only lessen tobacco consumption but also generates needed government revenues. Chaloupka, et al. (2012) pointed out that aside from its positive effects on public health, excise tax collection can have greater impact if it is utilized for health programs (e.g., tobacco control). The authors also signified that arguments against higher tobacco excise tax (e.g., effects on employment and inflation; regressivity and impact on the poor) are either false or overstated.^{cccxvii}

2. License Fee on Sale of Tobacco

a. General Description/ Objective

A license fee is a payment collected from wholesalers, indirect sellers, and retailers of tobacco products.^{cccxviii} Retailers are required to apply for a license to sell, pay the required application fee, and renew their license periodically. Its main purpose is to regulate tobacco business and to safeguard public health by requiring tobacco sellers to follow specific retailing practices, such as limiting youth access to tobacco products.^{cccxix}

b. Pertinent Details

Implementation of license fees varies by country/area. Depending on the national/local context, several agencies might be involved, such as business licensing offices, revenue departments, and health departments (for issuance of licenses); and, police departments (for enforcement).^{cccx}

In general, implementing governments have some leeway on how they would enforce a retailer licensing law. To ensure effective enforcement, however, a single government body is necessary to strictly monitor it, engage all stakeholders, and collect ample fees adequate for policy implementation.^{cccxli}

Important steps in implementing license fees are: (a) setting the licensing fee; (b) choosing and working with the license administrator; (c) identifying retailers; (d) monitoring tobacco retailers; (e) choosing the monitoring agency; and, (f) determining which stores to visit and how often to visit them.^{cccxlii} An effective licensing law should also be able to impose a yearly licensing fee sufficient enough to cover enforcement cost and, at the same time, discourage sellers from violating the policy due to its stringent penalties, e.g., license cancellation.^{cccxliii}

c. General Assessment

Implementation of tobacco retail licenses, which has been legally upheld by courts, is an effective way to regulate and lessen access of minors to tobacco products.^{cccxliv} Aside from reinforcing point-of-sale law and other related tobacco control policies and programs, it can also help regulate the sites and concentrations of retailers and raise additional government revenues.^{cccxlv} For example, New York City was able to collect US\$ 170 million from its license fees in FY 2002-2003.^{cccxlvi}

Tobacco companies are expected to oppose any form of licensing particularly when enforcement is not uniform across jurisdictions in a given country. Retailers will be less inclined to oppose it if the following conditions are present: (a) presence of a national standard in enforcement as opposed to a “jurisdiction by jurisdiction approach”; and, (b) if

licensing would force out illegal sellers or smaller operators (i.e., their competitors) from the market.^{cccxlvi}

3. Tobacco Surcharge

a. General Description/ Objective

Tobacco surcharge can be any additional charge on tobacco beyond the regular taxes for any specific purpose. For instance, Thailand collects the earmarked funds for health promotion through a 2% “surcharge.”

For purposes of this discussion, a tobacco surcharge will be limited to an add-on payment collected by employers and/or health insurance companies from employees who use tobacco products (e.g., cigarettes, cigars, pipes, smokeless tobacco, and electronic cigarettes). On the part of employers, its main purpose is to deter their employees from smoking; while on the part of insurance firms, to cover the extra health/medical care costs due to smoking-related illnesses.^{cccxlvi} This is justified by the higher annual health care cost for tobacco users compared to non-tobacco users as illustrated in the table below:

**Comparative Average Annual Health Care Costs
Between Tobacco & Non-Tobacco Users^{cccxlix}**

	Tobacco-Free	Tobacco User
Male	\$3,600	\$4,800
Female	\$5,000	\$7,000
		\$9,000 (expectant mother)

Source: The Business Case for Coverage of Tobacco Cessation - 2012

b. Pertinent Details

Tobacco surcharge is typically collected by employers and/or health insurance companies.^{cccl}

In the United States, an existing federal law permits employers and/or health insurance firms to increase by 20% the health insurance premiums of employees who use tobacco products.^{cccli} Under its Affordable Care Act, starting 01 January 2014, many employers and health insurance firms would already be able to charge tobacco users additional premium by up to 50% of their current premium cost. The pertinent implementing rules of the policy states that the add-on payment may be removed if a tobacco user agrees to go through a smoking cessation program.

c. General Assessment

Aside from benefitting employers and health insurance firms, additional revenues to be generated from the surcharge will mean lesser government revenues spent on smoking-

related diseases, particularly in countries with large public sector expenses for smoking-related diseases.

In addition, collecting tobacco surcharge will redound to savings on the part of tobacco users who decide to kick the habit. Aside from encouraging smokers to quit through a cessation program, it could also indirectly promote a culture of health and wellness in general.

Conversely, critics of tobacco surcharge point out that: (a) a tobacco surcharge has not been proven to be successful in urging smokers to quit or lessen their tobacco use; (b) there are other tobacco-control policies that are more effective in curbing tobacco use, e.g., tobacco tax and smoke-free laws; (c) collecting tobacco surcharge could increase a tobacco user's health premium payment by an average of 18.7% of his/her yearly income; and, (d) the policy could cause many tobacco users to remain uninsured.^{ccclii}

4. Settlement Funds

a. General Description/ Objective

A settlement fund is derived from compensation made by one party in satisfaction of another party's claims—typically a product of both parties putting an end to their differences through amicable out-of-court conciliations. Funds become available only at the conclusion of a legal dispute.

An example of this is the 1998 Tobacco Master Settlement Agreement (MSA) in the United States between forty-six (46) states and four (4) tobacco manufacturers (a.k.a. Original Participating Manufacturers or OPMs).^{cccliii} The former dropped their case against the latter in exchange for money for the health/medical care of people affected by smoking-related diseases,^{cccliv} thereby effectively relieving the latter from tort liability on damages caused by tobacco use.

b. Pertinent Details

Under the MSA, the OPMs were required to compensate the former a total US\$ 206 billion during a 25-year period from 2000 to 2025, with payments continuing in perpetuity.^{ccclv} Revenues collected would be used by the settling states to finance some of the medical expenses of people afflicted with smoking-related ailments, to assist and sustain an anti-smoking advocacy organization (the American Legacy Foundation), among others. Aside from monetary settlement, the latter were also obliged to terminate or limit certain marketing practices, such as prohibition of marketing tobacco products to youth.^{ccclvi}

The MSA obliges the OPMs to pay the settling states a certain amount every year based on a formula that is contingent on their 1997 "relative market share"^{ccclvii} and the volume of their cigarette sales. Their payments are increased to account for inflation (i.e., at least 3% annual hike) and are reduced whenever their combined sales or percentage market share fall below 1997 levels.^{ccclviii}

On the other hand, the yearly payment of the Subsequent Participating Manufacturers (SPMs) is computed based solely on total market share of the OPMs and not on the total market shares of both SPMs and OPMs. Hence, the amount paid per cigarette by SPMs is more or less similar to the amount paid by the OPMs.

The revenues collected from the Participating Manufacturers are then placed in an escrow account until they are dispensed to the settling states.

As to Non-Participating Manufacturers (NPMs), they are obliged by a model escrow statute to either join the MSA or to annually pay a comparable amount to a settling state's escrow account.^{ccclix}

c. General Assessment

The MSA has generated a whopping US\$ 206 billion for the settling states. In terms of financial sustainability, it has a provision for the tobacco industry to pay in perpetuity, assuring the settling states of long-term funding.

Nonetheless, evaluators of the MSA have criticized it for protecting the tobacco industry (particularly the OPMs) from tort liability and also from competition from other industry players, effectively creating a cartel agreement that is favorable both to the OPMs and the government. So while the MSA generates resources, it has enabled the tobacco manufacturers to dodge state lawsuits and to sustain their business.^{ccclx}

Aside from making the states dependent on the tobacco industry for revenues, another serious issue raised by critics is the misallocation of resources away from tobacco control programs. The table below encapsulates the major criticisms against it:

Sources	Criticisms
Martinez & Kramer (2012)	"Many states have diverted their MSA funding allocations to address budget shortfalls and pay debt service on securitized funds." ^{ccclxi}
Viscusi & Hersch (2010)	"Much less has gone to health care and anti-tobacco efforts than was anticipated... the allocation that best advances the interests of the citizenry may not be closely tied to anti-tobacco initiatives." ^{ccclxii}
Sloan, et al. (2005)	"Health spending from settlement proceeds declined more in the case-study states compared with national trends." ^{ccclxiii}
Clegg Smith, et al. (2003)	"Press coverage of MSA non-tobacco control spending suggests that the funds have been quickly formulated as fodder for state spending, rather than to support tobacco control efforts. Thus, caution is required in pursuing settlements with the industry where the objective is better funding for tobacco control efforts, particularly in light of the possibility that press coverage of MSA allocation may actually serve as positive publicity for the tobacco industry." ^{ccclxiv}
Campaign for Tobacco-Free Kids (2003)	The MSA is silent about how money should be allocated. ^{ccclxv}
Gross, et al. (2002)	"State health needs appear to have little effect on the funding of state tobacco-control programs. Because only a very small proportion of the tobacco settlement is being used for tobacco-control programs, the settlement represents an unrealized opportunity to reduce morbidity and mortality from smoking." ^{ccclxvi}

5. Tax on Corporate Profits

a. General Description/ Objective

A tax on corporate profit is imposed on the earnings of corporations during a given taxable period, with varying corporate tax rates applied for different income brackets. In general, it is applied to a company's operating income after subtracting expenditures and depreciation cost from revenues.^{ccclxvii} The basis for its collection is mainly "to regulate managerial power" of companies.^{ccclxviii}

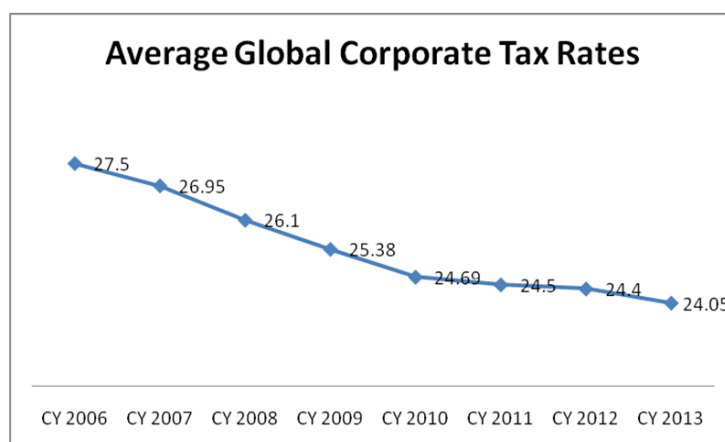
b. Pertinent Details

Revenue departments of governments are in charge of collecting corporate taxes from companies. Typically, corporate tax rates differ by countries, types of companies, and income brackets. As of CY 2013, the average corporate tax rate globally is 24.05%. By region, average rates for CY 2013 are: North America (33%), Africa (28.63%), Latin America (27.61%), Oceania (27%), Asia (22.36%), and Europe (20.6%).^{ccclxix}

On a global scale, Callard (2010) indicated that in 2008, about US\$ 160 billion was paid by five (5) major tobacco companies to governments in the form of income taxes, and that about US\$ 11 billion was paid by four (4) publicly traded tobacco companies in the form of corporate income taxes.^{ccclxx}

c. General Assessment

With taxation as an important tool for countries to entice foreign direct investment, there has been a general trend the past decade or so for them to reduce their corporate tax rates. Notably, average corporate tax rates worldwide have steadily declined from 27.5% in CY 2006 to only 24.04% in CY 2013,^{ccclxxi} possibly indicating a "race to the bottom" tax rate competition among countries.



Source: KPMG International

Companies have also learned how to dodge corporate taxes through offshore tax havens, arbitrage, and transfer pricing. These phenomena may suggest a general reduction of corporate tax contribution to government revenues.^{ccclxxii}

In Canada, a 50% additional income tax (i.e., surtax) is being collected from tobacco manufacturers.^{ccclxxiii} This led a giant tobacco company (i.e., BAT) to eventually relocate to Mexico (presumably in order to avoid it), thereby impacting on the country's revenue collection.^{ccclxxiv}

B. Non-Tobacco Sources

1. Alcohol Tax

a. General Description/ Objective

An alcohol tax is a type of “sin tax” imposed on alcohol consumption in order to: (1) regulate drinking of alcohol;^{ccclxxv} (2) make alcohol drinkers compensate for its social costs,^{ccclxxvi} including its tangible and intangible costs;^{ccclxxvii} (3) address the externalities caused by alcohol abuse; and, (4) generate needed government resources.^{ccclxxviii}

In many countries, both alcohol and tobacco are subjected to sin taxes or excise taxes. In several countries, the taxes for health promotion are derived from taxes coming from both tobacco and alcohol.

b. Pertinent Details

A “sin tax” law is customarily enacted to oblige manufacturers and sellers to pay alcohol tax to the government. This tax is then passed on by the manufacturers and sellers to their buyers. Tax collection is done by government revenue departments.

Revenues generated are usually incorporated into a government’s budgetary allocation, or at times, used to finance special welfare programs and projects. Slama (2005) suggested the need to earmark taxes collected for the establishment and financing of a health promotion foundation in order to support health programs for the public good.^{ccclxxix}

Increasing alcohol tax and periodically adjusting it to inflation is needed to curb alcohol consumption.^{ccclxxx} Revenues collected should be equivalent to the total costs of externalities.^{ccclxxxi}

c. General Assessment

An alcohol tax, like any other type of sin tax, can generate considerable revenues for governments. For example, a tax revenue projection made for forty-two (42) countries with different income and consumption levels indicates that an alcohol excise tax increase of at least 40% of the retail price could build up revenue collection by 80% from US\$ 43 billion to US\$ 77 billion, even after assuming a decline in consumption due to tax.^{ccclxxxii}

Collecting alcohol tax is advantageous not only in raising additional revenues for governments, but also in reducing alcohol drinking and abuse. Spending collected revenues for public health programs is a strong justification for its implementation.

Similar to tobacco tax, critics argue that an alcohol tax is regressive in nature as it burdens the low-income people the most, adding that it could induce smuggling and black markets especially if institutional mechanisms to prevent them are weak or lacking.

2. Proposed Global Lottery and Global Premium Bond Proposal

a. General Description/ Objective

A global lottery, proposed by the Crisis Management Initiative to raise additional revenues for development, is a financing mechanism that could be implemented “through national state-

operated and state-licensed lotteries, with proceeds shared between national participants and an independent foundation established in conjunction with UN.” On the other hand, a global premium bond is “parallel to national bonds with lottery prizes,” and with its capital value preserved.^{ccclxxxiii}

b. Pertinent Details

There are two possibilities in carrying out a global lottery system. The first one is to have it run nationally^{ccclxxxiv} through existing lottery systems of participating countries; while the second one is to sell lotteries worldwide (e.g., through an online system using the Internet) with an international organization running it.^{ccclxxxv} Both of these schemes would necessitate an international framework agreement among participating countries. Relevant provisions that should be included in the agreement are the regulations of lottery operations (nationally or internationally, depending on the chosen scheme), remittance of lottery funds to an international body (e.g., United Nations), and utilization of funds to finance global public goods (GPGs).^{ccclxxxvi}

Since Internet use has become commonplace globally, the latter scheme could easily be implemented because it entails only minimal regulation. Aside from its potential extensive global reach and low regulatory requirements,^{ccclxxxvii} the cost of administering it is also low since it would be run online.^{ccclxxxviii}

In 2001, a revenue projection estimated the annual revenue to be collected from a global lottery at US\$ 6.2 billion. The computation was based on a 10% levy on the US\$ 62 billion lottery value that year.^{ccclxxxix}

At present, there are two (2) current proposals with regard to the implementation of a global premium savings bond:

“(i) A single global bond or coordinated national bonds would direct a share of the proceeds of the lottery toward development. The bond would not lend to developing countries.

(ii) A single global bond or coordinated national bonds would lend directly to developing countries. These would receive financing for more favorable term because premium bonds usually pay lower interest to investors than comparable conventional bonds. Investors would have to bear the developing country credit risk.”^{cccxc}

In the case of United Kingdom, bond buyers are assigned a unique identification number which they can use to join a lottery.^{cccxc} Technically, a buyer is considered an investor since s/he invests in a savings instrument and never loses his/her initial investment. His/her earnings, however, have an element of luck since they are contingent on a random prize draw.^{cccxcii} In other words, global premium bonds would be bonds with lottery prizes in place of interest.

There has been no projection made on the revenue potential of a global premium bond. Nonetheless, the United Kingdom’s experience of selling premium bonds amounting to about US\$ 34 billion a year could serve as a good reference point.^{cccxciii}

c. General Assessment

A global lottery could raise “stable, additional, and predictable resources” for financing GPGs.^{cccxciv} However, it lacks political attractiveness from the perspective of governments because it is generally perceived to compete with national lotteries.^{cccxcv} It is also seen as a

regressive method of funding development because there are more poor people spending their money on lotteries. In addition, ethical issues are also being brought up by critics as gambling is considered taboo by some cultures and religions.^{cccxcvi}

Global premium bonds have the following advantages: (1) they are more ethically acceptable because they are considered savings instrument for ethical investors; (2) purchase of these bonds is purely voluntary; and, (3) governments are not bound to place these bonds in the market.^{cccxcvii}

On the other hand, critics identified the following disadvantages of global premium bonds: (1) crowding out of other government debt; (2) administrative cost; and, (3) competition with other borrowing.^{cccxcviii} Reisen (2004) also pointed out that “bond proceeds are best matched by loans rather than grants,” and “it remains fairly unclear how bond investors would be protected against the possibility of widespread default by those countries that are recipients of the proceeds of the bond issue.”^{cccxcix}

3. Luxury Tax

a. General Description/ Objective

A form of indirect tax affecting mostly the rich, a luxury tax is imposed on the prices of products^{cd} or services^{cdi} that are considered lavish and unnecessary. High-cost transactions^{cdii} may also be charged this type of tax. It may also be imposed on the consumption of cigarette/tobacco products^{cdiii} and beverages.^{cdiv} Governments collect luxury tax to alter consumption patterns and to raise revenues.

b. Pertinent Details

A luxury tax may come in the form of a sales tax, value-added tax (VAT), vehicle tax, property tax, etc. It may also be charged as a percentage of the cost of a luxurious product or service, collected usually through existing taxation mechanisms of governments.^{cdv}

Its implementation is expected to generate substantial public revenues. For example, China was able to generate US\$ 187.9 billion from its luxury tax in 2010.^{cdvi} Australia was also able to collect almost \$3.2 billion from its Luxury Car Tax (LCT) since its implementation in 2010.^{cdvii}

c. General Assessment

Luxury products are considered Veblen goods^{cdviii} since demand for them intensify as their prices go up. Implementation of a luxury tax is therefore considered an “important instrument that can address market distortions and ensure greater equity in the economy.”^{cdix} Intrinsically, a luxury tax is progressive as it affects only the rich who patronize luxury products and services.^{cdx} Aside from curtailing extravagant consumption, it can likewise raise needed government revenues for development.^{cdxi}

However, its implementation may shrink the revenue base in the long run because as tax goes up, both income and substitution effects^{cdxii} would reduce demand for luxury items. Consequently, a very high luxury tax could cause demand for luxury products to drop sharply, affecting manufacturers and sellers in the process. It could also engender black-market trading and impact on revenue collection.^{cdxiii}

Apart from being a concept that is a “throwback to the old socialist era,” critics claim that a luxury tax causes market inefficiencies, adding that what were considered luxury products and services in the past may already be considered necessities at present.^{cdxiv}

4. Diaspora Bonds

a. General Description/ Objective

A diaspora bond refers to a form of debt instrument issued by a country, a sub-sovereign body, or a private company for the purpose of generating financing from diaspora communities abroad. Funds raised are usually incorporated into a government’s budget and utilized for development work.^{cdxv} India, Israel, Ethiopia, Kenya, Nigeria, Rwanda, and Zimbabwe have started issuing diaspora bonds.

b. Pertinent Details

A country tapping this form of financing sells bonds to its diaspora communities overseas at a “patriotic rate,” i.e., low interest rate. Consequently, diaspora bonds are public debt obligations that need to be repaid in the future.^{cdxvi} Investors do not necessarily look for high returns in buying bonds as they are motivated primarily by a nationalistic aspiration to do “good” for their country. For this reason, philanthropy is an important element of diaspora bonds. Stenberg, et al. (2010), however, indicated that these bonds go beyond “simple charity” as they also leverage goodwill into a long-term financing instrument that has the capacity to generate huge funds for needed investments.^{cdxvii}

In 2007, the World Bank reported that both Israel and India have generated US\$ 35 to 40 billion from their diaspora bond issuances.^{cdxviii}

With national banks and multilateral development institutions as possible facilitators for bond issuances,^{cdxix} developing countries with large diaspora communities overseas (i.e., living in developed/ industrialized countries) could consider offering diaspora bonds as a strategy to raise needed resources for development.^{cdxx}

Various factors contribute to the success of diaspora bond issuances, such as: kinship ties; large diaspora communities (particularly first-generation migrants) in developed/highly-industrialized countries; high level of trust and confidence of migrants in their home-country governments; high-income of migrants and favorable economic condition of their country of residence.^{cdxxi}

Ketkar and Ratha (2007) also identified the following minimum conditions for diaspora bond issuances: nonexistence of civil strife in the home country; minimum governability; firm and clear legal systems for enforcement of contracts; and, government’s ability to meet the registration requirements in countries where the diaspora communities are located.^{cdxxii}

c. General Assessment

Diaspora bonds can be considered additional to ODA because they produce new sources of revenue. However, debt sustainability should be thoroughly examined considering that these bonds entail public debt responsibilities that need to be settled in the future.

In general, issuance of diaspora bonds is less feasible for small and poor countries as well as for countries with shaky or repressive political rule.^{cdxxiii}

5. World Bank Eco Notes, Green Bonds, and Cool Bonds

a. General Description/ Objective

Initiated by the World Bank, bonds are issued to attract private investors inclined to support social and environmental causes. Proceeds support loans for development, climate change adaptation, or mitigation projects.^{cdxxiv}

b. Pertinent Details

The World Bank issues these bonds in the international capital market at reasonable rates. Funds generated are then allocated to successful project proponents who pass the Bank's criteria for funding. Examples of projects funded are sustainable urban transport (Colombia), wind power development (Egypt), and renewable/efficient energy (Turkey). US\$3 billion has been issued in Green Bonds since 2008.^{cdxxv} In 2011, the UN Secretary General reported that a total of US\$2.3 billion had been raised as of 2008 through these bonds.^{cdxxvi}

c. General Assessment

As more investors are attracted to put some of their capital in "social investing," more funds can be raised in the future for social and environmental programs, which are considered additional to ODA.^{cdxxvii}

Mainly middle-income countries are expected to benefit from this financing mechanism because resources generated are loaned out only to successful project proponents following the World Bank's criteria and based on prevailing commercial rates. Issuances of bonds are also susceptible to fluctuations in the capital market.^{cdxxviii}

6. Proposed De-Tax

a. General Description/ Objective

De-tax is a proposed IFM that seeks to generate resources through participating governments' waiver of a certain fraction of VAT on goods and services sold by participating business establishments, and through the latter's charitable donation to a global public health program.^{cdxxix}

b. Pertinent Details

Under the proposed scheme, participating governments would give up at least 1% of VAT on any good or service sold by participating business establishments. The latter may also voluntarily contribute a part of their income to the initiative. Collected de-tax and donations would be placed in a "national dedicated fund and used to strengthen health systems in poor countries through existing channels to support the health systems financing platform."^{cdxxx}

Based on an initial projection made in 2008 for twenty-six (26) countries, the estimated revenue that could be raised from tax cut is about US\$ 2 billion every year. The projection presumed that only 5% of business establishments in the participating countries would take part in the program. Possible top contributors for the proposed 1% VAT waiver would be: Japan (US\$ 628 million), Germany (US\$ 344 million), France (US\$ 233 million), and Italy (US\$

138 million). On the other hand, voluntary contributions by business establishments would amount to about US\$ 200 million, or approximately 10% of projected revenues.^{cdxxxix}

The estimated cost of administering the tax cut is about 1% to 2% of the projected revenues.

c. General Assessment

The proposed de-tax scheme has the potential to yield huge proceeds to finance health programs in low-income countries. Assuming that participating countries would support it, the proposed scheme is expected to be both predictable and sustainable given the nature of VAT income, which is its vital source of revenue. Nonetheless, implementation in some countries may be convoluted as it would require rolling out the scheme at the state or provincial level. In addition, the cost of marketing the initiative to convince businesses to give up a portion of their profit may also be substantial.^{cdxxxii}

7. Sector-Specific Tax for Big Corporations

a. General Description/ Objective

Collected on top of existing corporate tax, a sector-specific tax is an additional tax levied on large companies making windfall profits in certain industry sectors in order to augment government revenues.^{cdxxxiii}

b. Pertinent Details

Implementation of this type of innovative financing is highly context-specific. The following are some examples:

- *Australia* – Since July 2012, the Australian government has started to collect 22.5% Minerals Resource Rent Tax (MRRT) from its large mining companies involved in iron ore and coal projects and earning huge profits more than \$75 million. The government has also imposed a 40% Petroleum Resource Rent Tax (PRRT) on large corporations engaged in oil and gas projects.^{cdxxxiv} Estimated proceeds to be collected for the first two years of MRRT implementation is roughly AU\$ 10 billion.^{cdxxxv}
- *Lao People's Democratic Republic* – A hydropower project, The Nam Theun 2 (NT2), seeks to raise revenues to fund development. Projected revenues to be raised over a 25-year period is about US\$ 2 billion, which could be used to finance programs on health and environmental conservation, infrastructure, and education.^{cdxxxvi}
- *United Kingdom* – In 2010, after financial institutions have recovered from the global financial crisis and restarted to earn healthy profits, the government proposed to levy 0.05% to 0.1% tax on their balance sheets. The plan was purportedly made in response to the clamor of British nationals for financial reforms considering that their government bailed out these institutions during the crisis using money from government coffers.^{cdxxxvii} The levy was eventually implemented, with rate increasing by 0.13% in 2013 and expected

to climb further to 0.142% in 2014.^{cdxxxviii} Projected revenue to be collected every year is about £2.5 billion (or about US\$ 4 billion).^{cdxxxix}

c. General Assessment

If highly-profitable businesses amassing windfall earnings are imposed this type of tax, governments can generate substantial revenues, which could consequently ensure the latter of a sound tax base to fund vital development programs.

Nevertheless, governments mulling over its implementation need to seriously examine the tricky equilibrium between raising additional revenues and the need to create a favorable economic environment for businesses to thrive. This is because the additional tax to be collected would be on top of the current corporate taxes already being paid by companies. Consequently, governments may consider imposing the levy only on highly profitable companies^{cdxli} in order not to jeopardize the small players within a given industry sector.^{cdxlii}

Lucrative money-making businesses involved in the exploitation of natural resources (e.g., mining, oil, gas, and the like) are the best candidates for a sector-specific tax. However, according to Stenberg, et al. (2010), collecting new taxes from these industries “might not be the most appropriate solution if the more basic questions on managing and distributing the richness from natural resources have not been answered.” Issues of “resource curse” and “Dutch disease”^{cdxlili} should first be addressed before considering this type of tax.^{cdxliv}

8. Debt-to-Health (Debt Swaps/Conversions)

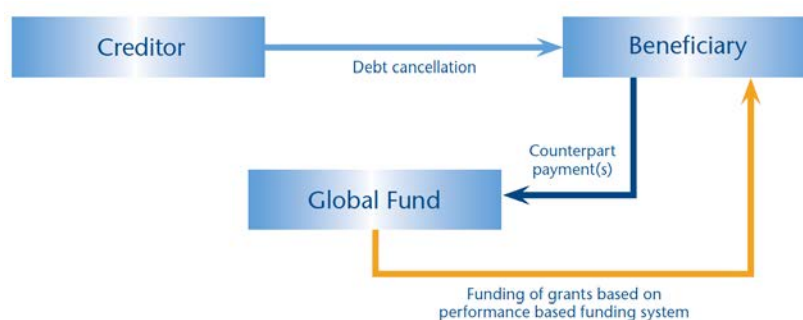
a. General Description/ Objectives

Initiated by the Global Fund, debt-to-health swap (a.k.a. Debt2Health) enables creditor countries to forego payment of a portion of interest and principal on the condition that the beneficiary countries agree to invest a negotiated amount in health through the Global Fund.^{cdxlv}

b. Pertinent Details

Debt2Health entails a tripartite arrangement among creditor country, beneficiary country, and the Global Fund.^{cdxlv} Its participating countries thus far are Germany and Australia (as creditors); and, Indonesia, Pakistan, and Cote d'Ivoire (as beneficiaries). Through the facilitation of the Global Fund, a creditor country would relieve a borrowing country from paying its loan; provided that it would allocate an agreed amount for health. This is done through a counterpart payment to the Global Fund which follows a set of procedures and standards for fund release. About €163.6 million worth of Debt2Health has been transacted, with US\$316 million in IDA credits bought down for Pakistan and Nigeria.^{cdxlvi} Debt2Health could potentially raise about US\$ 100 million in revenues every year.^{cdxlvii}

Debt2Health Mechanism^{cdxlviii}



Source: Filipp, Robert (2008). *Innovative Financing of the Global Fund: Debt2Health*. OECD Global Forum on Development.

The tripartite arrangement is expected to benefit the involved parties, as follows:

Debt2Health Tripartite Incentives

CREDITOR COUNTRY ^{cdxlix}	BENEFICIARY COUNTRY ^{cdli}	GLOBAL FUND
<p>The incentives are:</p> <ul style="list-style-type: none"> • Implementing political commitments to global health issues • Stabilizing or increasing the ODA quota • Recovering and donating a claim that might otherwise not be recouped • Harmonizing aid according to the Paris Declaration on Aid Effectiveness 	<p>The incentives are:</p> <ul style="list-style-type: none"> • Reducing debt stock • Reducing debt service payments • Receiving a discount on the convertible amount • Receiving up-front cancellation • Increasing domestic investment in public health • Paying in local currency • Becoming a donor to the Global Fund • Signaling strong political commitment to global health 	<p>The incentives are:</p> <ul style="list-style-type: none"> • Increasing the resources available • Diversifying the resource base • Stimulating an increase in domestic investments in health • Evolving grant recipient countries to donor status • Expanding the use of the performance-based management system

Full text sourced from “The Global Fund to Fight AIDS, Tuberculosis and Malaria. *Innovative Financing of the Global Fund: DEBT2HEALTH*”

There are other versions of debt swaps, like buy-downs and Poverty Reduction Strategy Papers (PRSPs),^{cdli} as follows:

- (i) *Buy-downs* – The Taskforce on Innovative International Financing for Health Systems indicated that these rely on “existing channels and therefore would not increase the complexity of the aid architecture for health systems.”^{cdlii} Ostensibly, they may also be carried out either through bilateral arrangements between a creditor country and a borrowing country, or through tripartite agreements involving a multilateral organization. The important element of loan buy-downs is the reduction of a beneficiary country’s loan amount or interest (or even debt cancellation) in exchange for its attainment of performance-based targets.^{cdliii}

- (ii) *PRSPs* – In 1999, both the International Monetary Fund and the World Bank adopted a framework for PRSPs as a mechanism for tying debt relief with poverty reduction among Heavily-Indebted Poor Countries (HIPC)s.^{cdliv}

c. General Assessment

Debt2Health is a feasible funding source for developing countries with unsettled debts, enabling them to become effective partners in development and also increasing “their ownership, accountability and local participation.”^{cdlv} Nonetheless, revenue generation through this funding mechanism is very much contingent on the readiness of creditor countries to cancel debts and on the available loans that can be terminated.^{cdlvi} Also, in cases where debts are not currently being paid, “a partial cancellation requiring counterpart funds would be more expensive than the status quo, so it is likely that only countries capable of making such payments could benefit.”^{cdlvii}

By and large, debt swaps have rooms for expansion to cover more low-income countries with extremely high public debts. However, aside from being intrinsically “one-off” operation, debt swap transactions are frequently convoluted and time-consuming because of the long and grueling negotiation process.^{cdlviii}

On the other hand, buy-downs encourage accountability on the part of a beneficiary country to invest in results-based development targets. Revenue generation through this funding mechanism is dependent on both the creditor and beneficiary countries’ willingness to pursue a targeted compromise.^{cdlix} Critics point out that debt reliefs may just be a scheme to legitimize some debts of dubious origin, adding that they provide only limited benefits to debtor countries, require high administrative and budgetary costs, and reinforce onerous conditionalities^{cdlx} that consequently pose a challenge to national sovereignty.

V. Potential of Innovative Financing for Tobacco Control

The first part of this paper discusses some of the actual practices and proposed ideas in innovative financing for purposes of financing global activities. These ideas, which may be useful for Parties to the FCTC in deliberations on mobilizing resources for tobacco control, have already become a core part of discussions relating to financing for development. Some of these have been deliberated in raising funds for other developmental issues, such as environment and communicable diseases. Given the cross-border nature of tobacco-control issues like advertising and illicit trade, there is an opportunity for global tobacco control to benefit from these innovative financing ideas.

The second part of this paper examined funds that originate from either tobacco and non-tobacco sources in order to provide some ideas on:

- a. how tobacco and the processes involved in propagating the product may be further taxed or charged; or
- b. how new sources can be tapped to fund tobacco-control measures.

And more importantly, this paper may contribute to further exploring how these new funding sources may be tapped to incrementally fund two (2) critical areas that may sustain tobacco-control advocacy in the long run:

- a. country-level activities that are aimed at ensuring sustainable funding for tobacco control; and,

- b. critical global activities that cannot materialize because they are currently unfunded.

Overall, the general assessment section for each innovative financing idea in the paper reflects lessons learned and best practices that provide the reader with some framework when evaluating an IFM. Some are more administratively feasible than others, but in all cases, political feasibility is a critical element. A deeper understanding of the political concerns would surface and can possibly be addressed only if the ideas are allowed to be debated on, and sufficient space to explore is provided in the appropriate forum.

* This work was carried out with the aid of a grant from the International Development Research Centre, Ottawa, Canada.

ⁱFocus on Finance, Alliance Bulletin, June 25, 2004, Framework Convention Alliance

ⁱⁱWorld Health Organization (2003). *WHO Framework Convention on Tobacco Control*. Retrieved last October 31, 2012 from <http://whqlibdoc.who.int/publications/2003/9241591013.pdf>.

The Parties agree that:

- (a) To assist Parties in meeting their obligations under the Convention, all relevant potential and existing resources, financial, technical, or otherwise, both public and private that are available for tobacco control activities, should be mobilized and utilized for the benefit of all Parties, especially developing countries and countries with economies in transition;
- (b) The Secretariat shall advise developing country Parties and Parties with economies in transition, upon request, on available sources of funding to facilitate the implementation of their obligations under the Convention;
- (c) The Conference of the Parties in its first session shall review existing and potential sources and mechanisms of assistance based on a study conducted by the Secretariat and other relevant information, and consider their adequacy; and,
- (d) The results of this review shall be taken into account by the Conference of the Parties in determining the necessity to enhance existing mechanisms or to establish a voluntary global fund or other appropriate financial mechanisms to channel additional financial resources, as needed, to developing country Parties and Parties with economies in transition to assist them in meeting the objectives of the Convention.

Article 25. *Relations between the Conference of the Parties and intergovernmental organizations* – In order to provide technical and financial cooperation for achieving the objective of this Convention, the Conference of the Parties may request the cooperation of competent international and regional intergovernmental organizations including financial and development institutions.

ⁱⁱⁱFocus on Finance, Alliance Bulletin, June 25, 2004, Framework Convention Alliance

^{iv}FCTC Preamble Mindful of the social and economic difficulties that tobacco control programmes may engender ..., and (recognize the developing nation's) need for technical and financial assistance in the context of nationally developed strategies for sustainable development.”.

^vFCTC preamble

^{vi}COP 2 Decision on Financial Resources and Mechanisms of Assistance indicate the awareness of parties' difficulties in accessing financial assistance and its impact on the capacity to meet obligations under the FCTC. COP1 urged “developed countries, international financial institutions, international organizations and other development partners to channel resources, based on specific requests, to developing country Parties and Parties with economies in transition for the implementation of the Convention, without which full implementation of the Convention will not be achieved;

^{vii}Jha, P., Chaloupka, F., Moore, J., Gajalakshmi, V., Gupta, P., Peck, R., Asma, S., and Zatonski, W. (2006). *Tobacco Addiction in Disease Control Priorities in Developing Countries*, p. 880. The International Bank for Reconstruction

and Development/The World Bank. Retrieved last October 31, 2012 from <http://www.ncbi.nlm.nih.gov/books/NBK11741/pdf/ch46.pdf>.

^{viii} *Id.* at 880. – In general, price increases are found to be the most cost-effective anti-smoking intervention. A 33 percent price increase (our base case scenario) could be achieved for a cost of US\$13 to US\$195 per DALY saved globally, or US\$3 to US\$42 in low-income countries and US\$85 to US\$1,773 in high-income countries. Wider access to NRT could be achieved for between US\$75 and US\$1,250 per DALY saved, depending on which assumptions are used. Non-price interventions other than NRT could be implemented for between US\$233 and US\$2,916 per DALY saved. Thus, NRT and other non-price measures are slightly less cost-effective than price increases but remain cost-effective in many settings.

^{ix} WHO, *Scaling up Action Against NCDs: How much will it cost?*, WHO, 2011 p 17

^x WHO, *Scaling up Action Against NCDs: How much will it cost?*, WHO, 2011 p 17

^{xi} WHO, *Scaling up Action Against NCDs: How much will it cost?*, WHO, 2011 p 18

^{xii} WHO Report on the Global Tobacco Epidemic, 2011: The MPOWER Package, Geneva WHO, 2011

^{xiii} WHO-FCTC (2006). *Conference of the Parties to the WHO FCTC: First Session*. Review of existing and potential sources and mechanisms of assistance: Note by the Secretariat. Provisional agenda item 4.5. A/FCTC/COP/1/4. Published on 9 January 2006. Retrieved from http://apps.who.int/gb/fctc/PDF/cop1/FCTC_COP1_4-en.pdf (last visited 31 October 2012).

^{xiv} WHO-FCTC, Ghana Ministry of Health & Health Service (2010). *Needs Assessment for Implementation of the WHO Framework Convention on Tobacco Control in Ghana*. Retrieved from <http://www.ghanahealthservice.org/includes/upload/publications/Needs%20Assesment%20for%20Tobacco%20Control%20In%20Ghana.pdf> (last visited 04 November 2012).

^{xv} *Ibid*, Art. 4.6

^{xvi} WHO FCTC Reporting tools 2006

^{xvii} Callard, C. (2010). Follow the money: How the billions of dollars that flow from smokers in poor nations to companies in rich nations greatly exceed funding for global tobacco control and what might be done about it in *Tobacco Control*, 19, 285-290 Retrieved last October 31, 2012 from <http://tobaccocontrol.bmj.com/content/19/4/285.full.pdf+html>: “One of the most active supporters of global tobacco control, the Bloomberg Philanthropies, suggested in 2007 that \$200 million was spent on international development aid for tobacco control. The basis for their estimate was not stated, but it may have included the annual budget for the functioning of the Framework Convention on Tobacco Control (now \$6.5 million), the portion of the WHO budget for tobacco, alcohol, unhealthy diets, physical activity and unsafe sex (the total of which is now \$80 million) that is spent on tobacco control, and the estimated annual \$62 million investment of the Bloomberg Initiative to Reduce Tobacco Use. Since that estimate was made, a further \$25 million annualized donation was announced in 2008 by the Bill and Melinda Gates Foundation, and WHO/TFI produced an estimate of \$9.6 million spent on national tobacco control programmes in middle-income and low-income countries.”citing Henning, KJ Bloomberg initiative to reduce tobacco use, highlights and lessons learned, Istanbul, 12th Congress on Public Health 2009

^{xviii} Such as

- a. Needs assessment for purposes of raising funds;
- b. Work with intergovernmental; and,
- c. Assistance to Parties in the implementation of the Convention with a view to promote harmonization and alignment of tobacco control policies at country level [Article 24(c) and (g), Article 22, Article 26], approved by COP3 for a budget of US\$2.6M.

^{xix} Close the Resource Gap, Framework Convention Alliance, 2012

^{xx} Bloomberg, M. *Reducing Tobacco Use*. Retrieved last October 31, 2012 from <http://www.mikebloomberg.com/index.cfm?objectid=B30497B1-C29C-7CA2-F9F7AABDE96F87E7>.

^{xxi} Article 4 Guiding Principles, paragraph 3 – International cooperation, particularly transfer of technology, knowledge and financial assistance and provision of related expertise, to establish and implement effective tobacco control programmes, taking into consideration local culture, as well as social, economic, political and legal factors, is an important part of the Convention.

^{xxii} *Ibid.* 1, Art. 20.5 – Parties should cooperate in regional and international intergovernmental organizations and financial and development institutions of which they are members, to promote and encourage provision of technical and financial resources to the Secretariat to assist developing country Parties and Parties with economies in transition to meet their commitments on research, surveillance and exchange of information. (In addition, Parties should provide the Secretariat with sufficient financial resources to facilitate intergovernmental activities involving research surveillance and exchange of information.)

^{xxiii} The Conference of the Parties shall promote and facilitate transfer of technical, scientific and legal expertise and technology with the financial support secured in accordance with Article 26.

^{xxiv} *Ibid.* 1, Art. 23. 5 – The Conference of the Parties shall keep under regular review the implementation of the Convention and take the decisions necessary to promote its effective implementation and may adopt protocols, annexes and amendments to the Convention, in accordance with Articles 28, 29 and 33. Towards this end, it shall:

- (a) Promote and facilitate the exchange of information pursuant to Articles 20 and 21;
- (b) Promote and guide the development and periodic refinement of comparable methodologies for

research and the collection of data, in addition to those provided for in Article 20, relevant to the implementation of the Convention;

- (c) Promote, as appropriate, the development, implementation and evaluation of strategies, plans, and programmes, as well as policies, legislation and other measures;
- (d) Consider reports submitted by the Parties in accordance with Article 21 and adopt regular reports on the implementation of the Convention;
- (e) Promote and facilitate the mobilization of financial resources for the implementation of the Convention in accordance with Article 26;
- (f) Establish such subsidiary bodies as are necessary to achieve the objective of the Convention; and,
- (h) Consider other action, as appropriate, for the achievement of the objective of the Convention in the light of experience gained in its implementation.

^{xxv} *Ibid.* 1, Art. 21.3

^{xxvi} Summary records, Verbatim Records

^{xxvii} WHO-FCTC (2012). Conference of the Parties to the WHO FCTC: Fifth Session. Seoul, Republic of Korea, 12–17 November 2012. Provisional agenda item 8.2. FCTC/COP/5/20. Published on 8 August 2012. Retrieved from http://apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_20-en.pdf (last visited 31 October 2012).

^{xxviii} WHO-FCTC (2009). *Conference of the Parties to the WHO Framework Convention on Tobacco Control: Third Session*. Durban, South Africa, 17–22 November 2008. FCTC/COP/3/DIV/3. Published on 16 February 2009. Retrieved from http://apps.who.int/gb/fctc/PDF/cop3/FCTC_COP3_DIV3-en.pdf (last visited 31 October 2012).

^{xxix} See Programme budget for the biennium 2012–13, Draft Decision /CP.17

^{xxx} FCTC/COP3(21) Recommendation by Committee B

The Conference of the Parties DECIDED to approve the recommendation by Committee B that, should the projected budget gap for the period 2008–2009 of about US\$ 1 035 000 occur as projected, the Convention Secretariat should give priority to the organizing of the work of the Conference of the Parties and its subsidiary bodies.

(Fourth plenary meeting, 22 November 2008)

^{xxxi} Rules of Procedure: Rule 12

1. The Secretariat shall report to the Conference of the Parties on the administrative, financial and budgetary implications of all substantive agenda items submitted to the session, before they are considered by the Conference.

2. Unless the Conference of the Parties decides otherwise, no such substantive agenda item shall be considered until at least forty-eight hours after the Conference of the Parties has received a report from the Secretariat on its administrative, financial and budgetary implications.

Rule 13 Any item on the agenda of a regular session, that has not been considered or completed at the session, shall automatically be included in the provisional agenda of the next regular session, unless otherwise decided by the Conference of the Parties.

^{xxxii} WHO-FCTC (2010). *Conference of the Parties to the WHO Framework Convention on Tobacco Control: Fourth Session. Report of Committee A (Draft)*. Punta del Este, Uruguay, 15–20 November 2010. (Draft) FCTC/COP/4/28. Published on 20 November 2010. Retrieved from http://apps.who.int/gb/fctc/PDF/cop4/FCTC_COP4_28draft-en.pdf (last visited 31 October 2012).

^{xxxiii} WHO FCTC (2009). *Conference of the Parties to the WHO Framework Convention on Tobacco Control: Third Session*. Durban, South Africa, 17–22 November 2008. FCTC/COP/3/DIV/3. Published on 16 February 2009. Retrieved from http://apps.who.int/gb/fctc/PDF/cop3/FCTC_COP3_DIV3-en.pdf (last visited 31 October 2012).

^{xxxiv} *Ibid.* 1, Art. 5.6

^{xxxv} WHO-FCTC (2012). Conference of the Parties to the WHO-FCTC: Fifth Session. Financial resources and mechanisms of assistance: Report of the Convention Secretariat. Seoul, Republic of Korea, 12–17 November 2012. Provisional agenda item 7.2. FCTC/COP/5/15. Published on 30 September 2012. Retrieved from apps.who.int/gb/fctc/PDF/cop5/FCTC_COP5_15-en.pdf (last visited 04 November 2012).

^{xxxvi} *Id.*

^{xxxvii} See for example, COP 2 Decision on Financial Resources and Mechanisms of Assistance

^{xxxviii} COP 4 Decision on Financial resources and mechanisms of assistance

^{xxxix} COP called on developed country Parties, in accordance with their obligations under the Convention, to provide technical and financial support to developing country Parties and Parties with economies in transition for this purpose, through bilateral, regional, international or nongovernmental channels;

^{xl} COP4 Decision on Financial Resources

^{xli} p 7 of FCTC/COP/4/19

^{xlii} WHO-FCTC (2006). *Conference of the Parties to the WHO FCTC: First Session*. Review of existing and potential sources and mechanisms of assistance: Note by the Secretariat. Provisional agenda item 4.5. A/FCTC/COP/1/4. Published on 9 January 2006. Retrieved from http://apps.who.int/gb/fctc/PDF/cop1/FCTC_COP1_4-en.pdf (last visited 31 October 2012).

^{xliii} COP4 Decision 17

^{xliv} COP4 Summary Records p81

^{xlv} UN resolution A/RES/66/2 – Political Declaration of the UN HLM on NCDs, Rio Political Declaration on Social Determinants of Health and Commonwealth Heads of Government Meeting (CHOGM) 2011 Communiqué

^{xlvi} Callard, Follow the Money: “Tobacco control has not benefited, as have other diseases with large global mortality, from the development of new mechanisms to provide financial development assistance for health, such as the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM) and the Global Alliance for Vaccines and Immunisation (GAVI). Nor have innovative fund raising programmes to finance such instruments been developed for tobacco control as they have been developed for other global diseases during recent years. Such programmes include: the Advance Market Commitment for Vaccines (AMC), which uses price guarantees as incentives to for corporations to develop vaccines for diseases found in low-income countries; the International Finance Facility for Immunisation (IFFIm), which issues bonds in the capital market to raise funds for immunisation; UNITAID, which buys drugs with monies raised through taxes on air tickets and other revenues⁴³; Bono and Bobby Shriver’s private-sector cause-marketing project (RED), which provides a portion of earnings from the sale of consumer goods to AIDS projects in Africa⁴⁴; and the Debt2Health, which allows borrowing and lending nations to make debt-swaps to free up domestic resources to address HIV/AIDS, tuberculosis and malaria.”

^{xlvii} Estimates from Callard in Follow the Money

^{xlviii} WHO-FCTC. *Needs assessments*. Retrieved from <http://www.who.int/fctc/implementation/needs/en/> (last visited 04 November 2012).

^{xliv} WHO. *Reducing risks and preventing disease: population-wide interventions*. Retrieved from www.who.int/entity/nmh/publications/ncd_report_chapter4.pdf (last visited 04 November 2012).

ⁱ UNDP (January 2012). *Innovative Financing for Development: A New Model for Development Finance?* Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 04 November 2012): “In 2010, the WHO showed that a 50 percent increase in cigarette excise taxes in 22 low-income countries could generate US\$1.42 billion to strengthen national health systems.”

ⁱⁱ Callard, C, Collishaw, N, The distributional impact of a proposed solidarity tobacco levy, unpublished, on file with the author

ⁱⁱⁱ Rules of Procedure: Rule 50

1. Decisions on budgetary and financial matters shall be taken by consensus and in conformity with the financial rules referred to in Article 23.4 of the Convention.

2. For all other decisions, the Conference of the Parties shall make every effort to reach agreement by consensus.

^{liii} Callard, C. & Collishaw N. *Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes*; Conservation International. Policy Background: Sources of International Climate Finance. Retrieved from http://www.conservation.org/Documents/CI_Policy_Background_Climate_Finance_Sources.pdf (last visited 02 November 2012); Hecht, R. & Shah, R. (2006). “Recent Trends and Innovations in Development Assistance for Health” in *Disease Control Priorities in Developing Countries*. The International Bank for Reconstruction and Development / The World Bank. Retrieved from files.dcp2.org/pdf/DCP/DCP13.pdf (last visited 31 October 2012).

^{liv} Data in this section were derived mainly from the official website of the Global Environment Facility: <http://www.thegef.org/gef/home>.

^{lv} Eberhard AA, Tople SE, Viggh A, Del Monaco A, Winkler H (2004). *GEF Climate Change Program Study*. Global Environment Facility.

^{lvi} Aside from providing fresh and supplementary grant and concessional financial assistance for the implementation of the UNFCCC, the GEF likewise supports the implementation of other international conventions, such as the Convention on Biological Diversity (CBD), Stockholm Convention on Persistent Organic Pollutants (POPs), and the UN Convention to Combat Desertification (UNCCD).

^{lvii} At present, there are thirty-nine (39) donor countries, namely: Argentina, Australia, Austria, Bangladesh, Belgium, Brazil, Canada, China, Côte d’Ivoire, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, India, Indonesia, Ireland, Italy, Japan, Republic of Korea, Luxembourg, Mexico, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Portugal, Slovak Republic, Slovenia, South Africa, Spain, Sweden, Switzerland, Turkey, United Kingdom, and the United States.

^{lviii} Priorities supported by the GEF include: (1) biological diversity; (2) climate change; (3) international waters; (4) land degradation, primarily desertification and deforestation; (5) ozone layer depletion; and (6) persistent organic pollutants.

^{lix} Conservation Finance (undated). The Global Environment Facility. Retrieved from www.conservationfinance.org/guide/guide/images/global_e.doc (last visited 22 May 2013).

^{lx} Conservation Finance (undated). *The Global Environment Facility*. Retrieved from www.conservationfinance.org/guide/guide/images/global_e.doc (last visited 22 May 2013).

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- ^{lxi} Full text sourced from www.conservationfinance.org/guide/guide/images/global_e.doc (last visited 22 May 2013).
- ^{lxii} Data in this section were derived mainly from the official website of the GFATM: <http://www.theglobalfund.org/en/>.
- ^{lxiii} The Global Fund to Fight AIDS, Tuberculosis and Malaria. *Governance Handbook: Financial Resources Mobilization, Management and Oversight*.
- ^{lxiv} The Global Fund's resources are allocated based on proposals from low-income countries. Allocation is basically performance-based, i.e., its fund recipients should establish measureable and successful results to enable them to receive additional financial support. [Source: Girishankar, Navin (2009). *Innovating Development Finance: From Financing Sources to Financial Solutions*. The World Bank. Policy Research Working Paper 5111.]
- ^{lxv} Sandor E, Scott S & Benn J (November 2009). *Innovative financing to fund development: progress and prospects*. DCD Issues Brief. Organisation for Economic Cooperation and Development (OECD).
- ^{lxvi} The Global Fund to Fight AIDS, Tuberculosis and Malaria. *Governance Handbook: Financial Resources Mobilization, Management and Oversight*.
- ^{lxvii} The Global Fund to Fight AIDS, Tuberculosis and Malaria (2012). *Strategic Investments for Impact: Global Fund Results Report 2012*.
- ^{lxviii} For example, media exposé about the US\$ 25 million missing fund for community programs and corruptions issues in a number of South African countries, like Djibouti, Mali, Mauritania, and Zambia
- ^{lxix} Hood, Marlowe (2011). "Global Fund faces billion-dollar gap." *Agence France-Presse (AFP)*. Posted on 19 May 2011. Retrieved from <http://www.google.com/hostednews/afp/article/ALeqM5h6Ih8CYz1SqAKYjI-SiowJgu8BSA?docId=CNG.07d4a47a8ce76f0e07e322726bdf65a2.6f1> (last visited 23 May 2013).
- ^{lxx} Avdeeva O, Lazarus JV, Aziz MA & Atun R (2011). "The Global Fund's resource allocation decisions for HIV programmes: addressing those in need." *Journal of the International AIDS Society*. Vol. 14:51.
- ^{lxxi} Avdeeva O, Lazarus JV, Aziz MA & Atun R (2011). "The Global Fund's resource allocation decisions for HIV programmes: addressing those in need." *Journal of the International AIDS Society*. Vol. 14:51.
- ^{lxxii} Radelet, Steven and Caines, Karen (2005). "The Global Fund to Fight AIDS, TB, and Malaria: Performance and Vision." A Report Prepared for the UK Department for International Development. Center for Global Development.
- ^{lxxiii} Radelet, Steven and Caines, Karen (2005). "The Global Fund to Fight AIDS, TB, and Malaria: Performance and Vision." A Report Prepared for the UK Department for International Development. Center for Global Development.
- ^{lxxiv} Data in this section were derived mainly from the official website of the UNITAID: <http://www.unitaid.eu/en/>.
- ^{lxxv} ITAD (2012). *UNITAID 5-Year Evaluation Summary*.
- ^{lxxvi} Hurley, Gail (2012). *Innovative Financing for Development: A New Model for Development Finance?* UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 06 October 2013).
- ^{lxxvii} As of 2012, these nine (9) counties are Cameroon, Chile, Congo, France, Madagascar, Mali, Mauritius, Niger, and the Republic of Korea.
- ^{lxxviii} Another literature mentioned 38 countries at present providing financial assistance and 23 countries contributing to UNITAID, with 15 countries implementing airline ticket levy. [Source: Bermudez, Jorge & Douste-Blazy, Philippe. "UNITAID." In *Innovative financing for development*. The I- 8 Group Leading Innovative Financing for Equity (L.I.F.E.)]
- ^{lxxix} France, one of the biggest contributors, had contributed about 90% of its airline ticket levy collection to the UNITAID (or US\$ 997 million out of US\$ 1.1 billion) for the period 2006 to 2011.
- ^{lxxx} Composed of six (6) from Brazil, Chile, France, Norway, Spain, and the United Kingdom, one (1) from Africa, one (1) from South Korea, two (2) from civil society organizations coming from communities affected by HIV/AIDS, TB, and Malaria, one (1) from the foundations sector, and one (1) from the World Health Organization (WHO), with the latter serving as a non-voting member and hosting the UNITAID's secretariat in Geneva
- ^{lxxxi} The formula is 85% of its allocation should go to low-income countries, 10% to lower-middle income countries, and no more than 5% to upper middle-income countries. [Source: Bermudez, Jorge & Douste-Blazy, Philippe. "UNITAID." In *Innovative financing for development*. The I- 8 Group Leading Innovative Financing for Equity (L.I.F.E.)]
- ^{lxxxii} UNITAID. *Innovative Financing: The Air Ticket Levy*. Retrieved from <http://www.unitaid.eu/resources-2/events/9-uncategorised/401-innovation-levy> (last visited 23 October 2013).

^{lxxxiii} ITAD (2012). *UNITAID 5-Year Evaluation Summary*.

^{lxxxiv} Center for Global Development (2012). *UNITAID*. A Background paper prepared for the Working Group on Value for Money: An Agenda for Global Health Funding Agencies. Retrieved from http://www.cgdev.org/section/topics/global_health/working_groups/value_for_money (last visited 22 May 2013).

^{lxxxv} Data in this section were derived mainly from the official website of the GAVI Alliance: <http://www.gavialliance.org>.

^{lxxxvi} Composed of multilateral agencies (UNICEF, WHO, and World Bank), Bill & Melinda Gates Foundation, donor country governments, developing country governments, civil society organizations, research and technical health institutes, vaccine industry in the developed and developing world, independent experts, and the CEO of the GAVI Alliance

^{lxxxvii} IFFIm and AMC are fully discussed separately in this paper. Please refer to the Table of Contents for the appropriate sections.

^{lxxxviii} Private sector partners include Absolute Return for Kids (ARK), Anglo American, the Children's Investment Fund Foundation, Comic Relief, Dutch Postcode Lottery, J.P. Morgan, the "la Caixa" Foundation, LDS Charities, Lions Clubs International, and Vodafone. Aside from corporations, the GAVI Matching Fund also attracts support from customers, employees, and the public.

^{lxxxix} Country groupings by per capita GNI:

- **Low-income** countries (<US\$ 1,025 per capita GNI) co-finance US\$ 0.20 per dose;
- **Intermediate** countries (US\$ 1,025–US\$ 1,550) hike co-payments by 15% annually; and,
- **Graduating** countries (>US\$ 1,550) augment co-payments progressively to attain sustainability after 5 years.

^{xc} Hurley, Gail (2012). *Innovative Financing for Development: A New Model for Development Finance?* UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 06 October 2013).

^{xci} GAVI Alliance. Basic facts about the GAVI Alliance.

^{xcii} Including indicators on (1) transparency in resource allocation, budget management, and operational planning; and, (2) promotion of transparency and accountability in partners and recipients

^{xciii} AUSAID (2012). *Australian Multilateral Assessment of the GAVI Alliance*.

^{xciv} Including transparency and accountability as well as improved audit capacity

^{xcv} United Kingdom (2011). *Multilateral Aid Review: Assessment of GAVI Alliance*.

^{xcvi} CEPA LLP & Applied Strategies (2010). *GAVI Second Evaluation Report*.

^{xcvii} Callard, Cynthia & Collishaw, Neil. *Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes*.

^{xcviii} WHO SEARO (2012). *Tobacco Taxation and Innovative Health-care Financing*.

^{xcix} WHO SEARO (2012). *Tobacco Taxation and Innovative Health-care Financing*.

^c WHO SEARO (2012). *Tobacco Taxation and Innovative Health-care Financing*.

^{ci} Perucic, Anne-Marie (2012). *The Solidarity Tobacco Contribution (STC): A new international health-financing concept prepared by the World Health Organization (Powerpoint)*. Presented during the 15th World Conference on Tobacco or Health, Singapore, 20-24 March 2012.

^{cii} World Health Organization (2011). *A solidarity tobacco levy (STL) for international health: a Global initiative*. Retrieved from http://www.who.int/nmh/events/un_ncd_summit2011/ncds_stc.pdf (last visited 18 March 2013).

^{ciii} Callard, Cynthia & Collishaw, Neil. *Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes*.

^{civ} Gates, Bill (2011). *Innovation With Impact: Financing 21st Century Development*. A report by Bill Gates to G20 leaders, Cannes Summit. Retrieved from <http://www.gatesfoundation.org/~media/GFO/Documents/2011%20G20%20Report%20PDFs/Executive%20Summary/execsummaryenglish.pdf> (last visited 18 October 2013).

^{cv} Wreford-Howard, Simon (2010). *WHO Support to Innovative Financing for Health Tokyo (Powerpoint)*. Leading Group on Innovative Financing for Development, Tokyo, 16-17 December 2010.

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- ^{cvi} World Health Organization (2010). World Health Report 2010.
WHO SEARO (2012). *Tobacco Taxation and Innovative Health-care Financing*.
- ^{cvi} World Health Organization (2010). World Health Report 2010.
- ^{cvi} WHO SEARO (2012). *Tobacco Taxation and Innovative Health-care Financing*.
- ^{cix} WHO (2011). Policy Brief: Innovative Options for Health Financing. First Global Ministerial Conference on Healthy Lifestyles and Noncommunicable Disease Control, Moscow, 28-29 April 2011.
- ^{cx} WHO Regional Office for South-East Asia (2012). *Tobacco taxation and innovative health-care financing*. Retrieved from http://en.thaihealth.or.th/system/files/TFI_TTIHCF_0.pdf (last visited 29 April 2013).
- ^{cx} World Health Organization (2011). *A solidarity tobacco levy (STL) for international health: a Global initiative*. Retrieved from http://www.who.int/nmh/events/un_ncd_summit2011/ncds_stc.pdf (last visited 18 March 2013).
- ^{cxii} World Health Organization (2011). *A solidarity tobacco levy (STL) for international health: a Global initiative*. Retrieved from http://www.who.int/nmh/events/un_ncd_summit2011/ncds_stc.pdf (last visited 18 March 2013).
- ^{cxiii} Hurley, Gail (2012). Innovative Financing for Development: A New Model for Development Finance? UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 10 October 2013).
- ^{cxiv} Full text sourced from Wreford-Howard, Simon (2010). WHO Support to Innovative Financing for Health Tokyo (Powerpoint). Leading Group on Innovative Financing for Development, Tokyo, 16-17 December 2010.
- ^{cxv} Callard, Cynthia & Collishaw, Neil. *Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes*.
- ^{cxvi} 2013 key informant interviews with international organizations for South Centre's forthcoming paper "Exploring innovative global and national financing mechanisms for tobacco control"
- ^{cxvii} Callard, Cynthia & Collishaw, Neil. *Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes*.
- ^{cxviii} 2013 key informant interviews with international organizations for South Centre's forthcoming paper "Exploring innovative global and national financing mechanisms for tobacco control"
- ^{cxix} Hurley, Gail (2012). Innovative Financing for Development: A New Model for Development Finance? UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 10 October 2013).
- ^{cxx} Callard, Cynthia & Collishaw, Neil. *Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes*.
- ^{cxxi} Callard, Cynthia (2010). "Follow the money: How the billions of dollars that flow from smokers in poor nations to companies in rich nations greatly exceed funding for global tobacco control and what might be done about it." *Tobacco Control* 19:285-290.
- ^{cxxii} WHO (2012). Report of the Consultative Expert Working Group on Research and Development: Financing and Coordination. Retrieved from http://www.who.int/phi/CEWG_Report_5_April_2012.pdf (last visited 12 November 2013). p. 66.
- ^{cxxiii} As an example, the authors cited that in Canada, a TRTP-style surtax has been collected since 1994; tobacco companies pay 50% additional income tax, and branch earnings are also taxed when remitted to head offices abroad. In Brazil, a similar scheme is being proposed to levy additional tax on remittances of pharmaceutical companies to finance medical research and development.
- ^{cxxiv} Callard, Cynthia & Collishaw, Neil. *Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes*.
- ^{cxxv} British American Tobacco and Associates (BAT), Imperial Tobacco Group (ITG), Japan Tobacco (JTI), and Philip Morris International (PMI)
- ^{cxxvi} Physicians for a Smoke-Free Canada (2009). The Global Tobacco Economy: A Snapshot of the Economies of Multinational Tobacco Companies and of International Tobacco Control Efforts in 2008.
- ^{cxxvii} Callard, Cynthia & Collishaw, Neil. *Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes*.

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- ^{cxixiii} Callard, Cynthia & Collishaw, Neil. *Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes*.
- ^{cxix} Callard, Cynthia & Collishaw, Neil. *Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes*.
- ^{cxx} Callard, Cynthia & Collishaw, Neil. *Financing international action to reduce NCDs: why a tax on repatriated tobacco profits may be less regressive than a solidarity levy on cigarettes*.
- ^{cxixi} WHO (2012). Report of the Consultative Expert Working Group on Research and Development: Financing and Coordination. Retrieved from http://www.who.int/phi/CEWG_Report_5_April_2012.pdf (last visited 12 November 2013). p. 66.
- ^{cxixii} Leading Group on Innovative Financing for Development. *International solidarity levy on air tickets*. Retrieved from <http://leadinggroup.org/rubrique177.html> (last visited 10 October 2012).
- ^{cxixiii} Cameroon, Chile, Congo, France, Madagascar, Mali, Mauritius, Niger, and Republic of Korea
- ^{cxixiv} Taskforce on Innovative International Financing for Health Systems. *More money for health, and more health for the money*.
- ^{cxixv} UNITAID (2012). Annual Report 2012. Retrieved from http://www.unitaid.eu/images/Annual_Report_2012/UNITAID_AR2012_ENG.pdf (last visited 18 October 2013).
UNITAID (2011). Annual Report 2011. Retrieved from http://www.unitaid.eu/images/Annual_Report_2011/UNITAID_AR2011_EN.pdf (last visited 18 October 2013).
- ^{cxixvi} Porcher, Damien & Kerouedan, Dominique (2011). *Health Financing: Evolving Context, Evolving Methods: A Review on Innovative Financing for Health (Draft Report)*. French Ministry of Foreign and European Affairs.
- ^{cxixvii} WHO SEARO (2012). *Tobacco Taxation and Innovative Health-care Financing*.
- ^{cxixviii} Taskforce on Innovative International Financing for Health Systems. *More money for health, and more health for the money*.
- ^{cxixix} Hurley, Gail (2012). Innovative Financing for Development: A New Model for Development Finance? UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 06 October 2013).
- ^{cxl} Sandor E, Scott S & Benn J (November 2009). *Innovative financing to fund development: progress and prospects*. DCD Issues Brief. Organisation for Economic Cooperation and Development (OECD).
- ^{cxli} International Institute for Environment and Development (2008). *Fairer flying: An international air travel levy for adaptation*. A briefing paper.
- ^{cxlii} de Ferranti, D., Griffin, C., Escobar, M., Glassman, A., Lagomarsino, G. (2008). *Innovative Financing for Global Health: Tools for Analyzing the Options*. Brookings Global Economy and Development.
- ^{cxliii} Binger, Albert (2003). *Global Public Goods and Potential Mechanisms for Financing Availability*. Background paper prepared for the Fifth Session of the Committee for Development Policy Meeting.
- ^{cxliv} France Ministry of Foreign Affairs. *Combating the major pandemic diseases affecting part of the developing world*. Retrieved from http://www.diplomatie.gouv.fr/en/spip.php?page=rubrique_imprim&id_rubrique=7040 (last visited 22 October 2012).
- ^{cxlv} UNITAID (2012). *UN world economic and social survey discusses UNITAID's unique model*. Retrieved from <http://www.unitaid.eu/resources-2/news/971-un-world-and-economic-survey-discusses-unitaid-s-unique-model> (last visited 22 October 2012).
- ^{cxlvi} de Ferranti, D., Griffin, C., Escobar, M., Glassman, A., Lagomarsino, G. (2008). *Innovative Financing for Global Health: Tools for Analyzing the Options*. Brookings Global Economy and Development.
- ^{cxlvii} Hurley, Gail (2012). Innovative Financing for Development: A New Model for Development Finance? UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 06 October 2013).
- ^{cxlviii} Data in this section were derived mainly from the official website of the IFFIm: <http://www.iffim.org/>.
- ^{cxlix} Taskforce. Fact Sheet: International Finance Facility for Immunization.

^{cl} Pearson, Mark; Clarke, Jeremy; Ward, Laird; Grace, Cheri; Harris, Daniel & Cooper, Matthew (2011). Evaluation of the International Finance Facility for Immunization. Retrieved from www.iffim.org/library/documents/evaluations/iffim-evaluation--full-report/ (last visited 24 October 2013).

^{cli} World Bank (2009). Innovative finance for development solutions. Retrieved from <http://siteresources.worldbank.org/CFPEXT/Resources/IF-for-Development-Solutions.pdf> (last visited 24 October 2013).

^{clii} UN (2011). Innovative mechanisms of financing for development Report of the Secretary-General (advance unedited version). 1 September 2011. Retrieved from http://www.un.org/esa/ffd/documents/66GA_SGR_IMFD_AUV.pdf (last visited 24 October 2013).

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- clxxxiv “‘**Financial transaction**’ means any of the following: (a) the purchase and sale of a financial instrument before netting or settlement; (b) the transfer between entities of a group of the right to dispose of a financial instrument as owner and any equivalent operation implying the transfer of the risk associated with the financial instrument, in cases not subject to point (a); (c) the conclusion of derivatives contracts before netting or settlement; (d) an exchange of financial instruments; (e) a repurchase agreement, a reverse repurchase agreement, a securities lending and borrowing agreement.”

“**Financial institutions**” encompass the following: investment firms; regulated markets; credit institutions; undertakings for collective investments in transferable securities (UCITS); pension funds; alternative investment funds (AIFs) and alternative investment fund managers (AIFMs); securitization special purpose entities; special purpose vehicles; and, any other undertakings, institutions, bodies or persons engaged in similar financial transaction activities.

[Source: European Commission (2013). Proposal for a Council Directive implementing enhanced cooperation in the area of financial transaction tax. Retrieved from

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- infringes the rights of the EU member states who are not seeking to implement the FTT;
- infringes customary international law as it exceeds member states’ jurisdiction for taxation;
- is discriminatory and is likely to lead to a distortion of competition to the detriment of non-participating member states; and
- would constitute an obstacle to the free movement of capital and services.”

[Source: Skadden (2013). European Council’s Lawyers Opine That Proposed EU Financial Transaction Tax Is Unlawful.]

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^{cclix} Hurley, Gail (2012). Innovative Financing for Development: A New Model for Development Finance? UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 06 October 2013).

^{cclx} Hurley, Gail (2012). Innovative Financing for Development: A New Model for Development Finance? UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 06 October 2013).

^{cclexi} Data in this section were derived mainly from the official website of the UN-REDD: <http://www.un-redd.org>.

^{cclexii} Composed of representatives from partner countries, donors to the Multi-Partner Trust Fund, civil society, indigenous peoples, and three UN agencies (FAO, UNDP, and UNEP)

^{cclexiii} **REDD** is defined as "a mechanism to reduce global greenhouse gas emissions by compensating countries for avoiding deforestation and degradation;" while **REDD+** refers to the "broader REDD frameworks which include forest conservation, sustainable forest management or enhancement of forest carbon stocks to encourage greater participation in REDD and to reward countries that are already protecting their forests." Under REDD, "credits from reduced emissions, also called 'avoided deforestation', would be quantified. That positive quantity would then become a credit that could be sold in an international carbon market. Alternatively the credit could be handed to an international fund set up to provide financial compensation to participating countries that conserve their forest. REDD schemes allow forest conservation to compete on economic terms with the drivers of deforestation." [Source: Center for International Forestry Research. Simply REDD: CIFOR's guide to forests, climate change and REDD. Retrieved from http://www.cifor.org/publications/pdf_files/media/MediaGuide_REDD.pdf (last visited 30 October 2013).]

^{cclexiv} In March 2011, the UN-REDD announced Japan's donation of US\$3 million and a first-time funding commitment of US\$14 million from the European Commission.

^{cclexv} Hurley, Gail (2012). Innovative Financing for Development: A New Model for Development Finance? UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 06 October 2013).

^{cclexvi} Center for International Forestry Research (2012). Analysing REDD+: Challenges and choices. Edited by Arild Angelsen, Maria Brockhaus, William D. Sunderlin and Louis V. Verchot. Retrieved from http://www.cifor.org/publications/pdf_files/Books/BAngelsen1201.pdf (last visited 30 October 2013).

celxvii UN REDD (2009). Measurement, Assessment, Reporting and Verification (MARV): Issues and Options for REDD (Draft Discussion Paper). Retrieved from <http://www.un-redd.org/Portals/15/documents/events/20090309Panama/Documents/UN-REDD%20MARV%20Issues%20and%20Options%2002Mar09.pdf> (last visited 30 October 2013).

celxviii Specifically, the Center for International Forestry Research (CIFOR) identified the following issues: “**Making payments** – How will countries be rewarded and what form will that reward take? Who should be paid for protecting a specific forested area: national governments, local forest communities or logging companies? Donor countries are asking that payments should benefit poor people. National governments in countries likely to benefit from REDD, however, may wish to retain control over how payments are distributed. **Accountability** – If a REDD payment is made, but a forest still gets destroyed, what then? What can be done to ensure that carbon payments lead to sustained forest protection? **Funding** – Should developed countries create a fund to reward countries that reduce emissions from deforestation? Or, should these emissions reductions be linked to a market-based carbon trading system? How would such a market system work in practice?” [Source: Center for International Forestry Research. Simply REDD: CIFOR’s guide to forests, climate change and REDD. Retrieved from http://www.cifor.org/publications/pdf_files/media/MediaGuide_REDD.pdf (last visited 30 October 2013).]

celxix Meridian Institute (2009). Reducing Emissions from Deforestation and Forest Degradation (REDD): An Options Assessment Report. Prepared for the Government of Norway by Arild Angelsen, Sandra Brown, Cyril Loisel, Leo Peskett, Charlotte Streck, and Daniel Zarin. Retrieved from http://www.redd-oar.org/links/REDD-OAR_en.pdf (last visited 30 October 2013).

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celxxi Brzoska, Michael (2001). *Taxation of the arms trade: An overview of the issues*. Paper prepared for the United Nations ad hoc Expert Group Meeting on Innovations in Mobilizing Global Resources for Development, 25-26 June 2001. Retrieved from <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan000954.pdf> (last visited 28 May 2013).

celxxii Carnegie Council on Ethics & International Affairs (2004). *Financing Global Development: Key Proposals and Recommendations*. Global Policy Innovations Policy Brief. Retrieved from http://www.policyinnovations.org/ideas/policy_library/data/01166/_res/id=sa_File1/ (last visited 28 May 2013).

celxxiii Carnegie Council on Ethics & International Affairs (2004). *Financing Global Development: Key Proposals and Recommendations*. Global Policy Innovations Policy Brief. Retrieved from http://www.policyinnovations.org/ideas/policy_library/data/01166/_res/id=sa_File1/ (last visited 28 May 2013).

celxxiv Brzoska, Michael (2001). *Taxation of the arms trade: An overview of the issues*. Paper prepared for the United Nations ad hoc Expert Group Meeting on Innovations in Mobilizing Global Resources for Development, 25-26 June 2001. Retrieved from <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan000954.pdf> (last visited 28 May 2013).

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celxxvi In preparing a rough projection, Brzoska (2001) assumed a US\$50-billion worth of trade volume transaction in the late 1990s covering major weapons (e.g., aircraft, armored vehicles, artillery, ground radar, missiles, and ships) and other types of weapons (e.g., light weapons and ammunition).

celxxvii Brzoska, Michael (2001). *Taxation of the arms trade: An overview of the issues*. Paper prepared for the United Nations ad hoc Expert Group Meeting on Innovations in Mobilizing Global Resources for Development, 25-26 June 2001. Retrieved from <http://unpan1.un.org/intradoc/groups/public/documents/un/unpan000954.pdf> (last visited 28 May 2013).

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- celxxxviii Data in this section were derived mainly from the official website of the (Product) RED: <http://www.joinred.com/>.
- celxxxix Gap, Emporio Armani, American Express, and Converse
- ccxc The I– 8 Group Leading Innovative Financing for Equity (L.I.F.E.)
- ccxci Sandor E, Scott S & Benn J (November 2009). *Innovative financing to fund development: progress and prospects*. DCD Issues Brief. Organisation for Economic Cooperation and Development (OECD).
- ccxcii Hurley, Gail (2012). Innovative Financing for Development: A New Model for Development Finance? UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 06 October 2013).
- ccxciii Girishankar, Navin (2009). *Innovating Development Finance: From Financing Sources to Financial Solutions*. The World Bank. Policy Research Working Paper 5111.
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- ccxcvi de Ferranti, D., Griffin, C., Escobar, M., Glassman, A., Lagomarsino, G. (2008). *Innovative Financing for Global Health: Tools for Analyzing the Options*. Brookings Global Economy and Development.
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- ccci de Ferranti, D., Griffin, C., Escobar, M., Glassman, A., Lagomarsino, G. (2008). *Innovative Financing for Global Health: Tools for Analyzing the Options*. Brookings Global Economy and Development.
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- ccciiii Kadafa, Ayuba (2008). *The role one percent (1%) digital solidarity contribution can play in closing the digital divide* (Powerpoint). Presented during the Commonwealth ICT Summit in Abuja.
- ccciv Defined as a condition of economic disparity between developing and developed countries vis-à-vis access to, utilization of, or knowledge of ICTs. [Source: Chinn, Menzie D. and Robert W. Fairlie (2004). *The Determinants of the Global Digital Divide: A Cross-Country Analysis of Computer and Internet Penetration*. Yale University - Economic Growth Center. Retrieved from http://www.econ.yale.edu/growth_pdf/cdp881.pdf (last visited 03 June 2013).]

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- ^{cccvi} Girishankar, Navin (2009). *Innovating Development Finance: From Financing Sources to Financial Solutions*. The World Bank. Policy Research Working Paper 5111.
- ^{cccvi} Randles, Jennifer (undated). *Digital Solidarity Levy*. Retrieved from <http://www.textilegoddess.com/sites/default/files/pdf/IS510finalpaper.pdf> (last visited 04 June 2013).
- ^{cccix} Its founding member states are Algeria, Dominican Republic, Ghana, Equatorial Guinea, French Republic, Kenya, Morocco, Nigeria, and Senegal. While its founding member cities and regions are Curitiba (Brazil); Dakar (Senegal); Delemont and Geneva (Switzerland); Lille, Lyon, Paris, Aquitaine, and Rhône-Alpes (France); Santo Domingo (Dominican Republic); Basque Country (Spain); and Piemont (Italy). An international organization (Organisation Internationale de la Francophonie) is also a founding member. [Source: The Digital Solidarity Fund. Retrieved from http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/FourthUrbanForum/symposiums/symposiumF/symposiumF_DSf.ppt (last visited 04 June 2013).]
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- ^{cccxi} For example, Hong Kong successfully carried out its version of a digital solidarity fund in 2004 to address its local issue of digital divide.
- ^{ccciv} Yau, Elaine. "Technology is for Everyone." *South China Morning Post*. Posted 15 March 2007. YOUNGPOST section, 5. Cited in Randles, Jennifer (undated). *Digital Solidarity Levy*. Retrieved from <http://www.textilegoddess.com/sites/default/files/pdf/IS510finalpaper.pdf> (last visited 04 June 2013).
- ^{ccciv} An email, Internet, or bit tax is a levy being proposed to be collected for the use of the Internet as well as for the volume of data sent out online. Its chief purpose is to raise revenues for development, including addressing the problem of digital divide. For example, an Internet user sending 100 emails/day, each having a 10-kilobyte file, may be charged a minimal fee of one centavo/email. In 1996, the UNDP calculated that a bit tax could yield US\$ 70 billion. Because the number of Internet users has dramatically grown since 1996, even a very miniscule tax (below the amount proffered by the UNDP) could potentially yield huge revenues. [Source: Binger, Albert (2003). *Global Public Goods and Potential Mechanisms for Financing Availability*. Background paper prepared for the Fifth Session of the Committee for Development Policy Meeting.]
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- ^{cccix} Michaud, Josh & Kates, Jen (2011). *Innovative Financing Mechanisms for Global Health: Overview & Considerations for US Government Participation*. The Henry J. Kaiser Family Foundation.
- ^{cccxi} Stenberg, K., Elovainio R., Chisholm, D., Fuhr D., Perucic, A.M., RekveD. and Yurekli, A. (2010). *Responding to the challenge of resource mobilization - mechanisms for raising additional domestic resources for health*. World Health Report. Background Paper No. 13.
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- ^{cccxi} Taskforce on Innovative International Financing for Health Systems. *Mobile Phone Voluntary Solidarity Contribution (VSC): Taskforce Factsheet*.

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ccccv Okech TC & Gitahi JW (2012). Alternative Sustainable Financing of Public Health Care in Kenya. *International Journal of Business and Social Science*. Vol. 3 No. 16 [Special Issue – August 2012].

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ccccvii A few countries, such as Djibouti and Guatemala, devote their collected revenues, in whole or in part, to health programs. Some specifically earmark a certain fraction for tobacco control (e.g., 2% in Mongolia, Thailand, and Qatar; 1% in Bulgaria) or a certain amount (e.g., 2 cents/cigarette in Tuvalu) for the health sector in general, or for tobacco control programs in particular. [Source: Stenberg, K., Elovainio R., Chisholm, D., Fuhr D., Perucic, A.M., Rekve, D. and Yurekli, A. (2010). *Responding to the challenge of resource mobilization - mechanisms for raising additional domestic resources for health*. World Health Report. Background Paper No. 13.]

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ccccviii California Board of Equalization (2012). *Sales of Cigarettes and Tobacco Products in California: License Requirement for Retailers*. Retrieved from <http://www.boe.ca.gov/pdf/pub78.pdf> (last visited 09 October 2012).

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ccccl Based on a rapid online search, the following relevant agencies issue licensing permits in their respective countries/areas: Department of Health (Australia); Health Products Regulation Group - Tobacco Regulation Branch (Singapore); Ministry of Finance - Client Services Branch (Ontario, Canada); Board of Equalization (California); Business Affairs and Consumer Protection (Chicago); Department of Revenue (Arizona, Iowa, Minnesota, Nebraska, Tennessee); Department of Health and Human Services (Maine); Office of the City Clerk License Division (Milwaukee); City Auditor (North Dakota); Tax Commission (Oklahoma); Business Licensing Services (Washington). A report submitted to Australia's Commonwealth Department of Health and Ageing in 2002 indicated the need to consider tobacco sales licensing as a health issue; hence, it recommended that licensing be controlled by health officials.

^{ccccxli} ChangeLab Solutions (2012). *Tobacco Retailer Licensing: An Effective Tool for Public Health*. Retrieved from http://changelabsolutions.org/sites/default/files/TobaccoRetailerLicensing_factsheet_FINAL_20120907.pdf (last visited 10 June 2013).

^{ccccxlii} Technical Assistance Legal Center (2006). *Case Studies on the Implementation and Enforcement of Local Tobacco Retailer Licensing Ordinances in California*.

^{ccccxliii} ChangeLab Solutions. What is “tobacco retailer licensing” and why would my community want to pursue it? Retrieved from <http://changelabsolutions.org/tobacco-control/question/what-is-tobacco-retailer-licensing> (last visited 23 July 2013).

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^{ccccxlvii} The Allen Consulting Group (2002). *Licensing of Tobacco Retailers and Wholesalers: Desirability and Best Practice Arrangements*. A Report to the Commonwealth Department of Health and Ageing. Retrieved from [http://www.health.gov.au/internet/main/publishing.nsf/Content/B05D343195FDB181CA25776500063C84/\\$File/license.pdf](http://www.health.gov.au/internet/main/publishing.nsf/Content/B05D343195FDB181CA25776500063C84/$File/license.pdf) (last visited 10 June 2013).

^{ccccxlviii} American Lung Association (2012). *Tobacco Surcharges*. Retrieved from <http://www.prevent.org/data/files/actiontoquit/factsheet%20-%20tobacco%20surcharges.pdf> (last visited 11 June 2013).

^{ccccxlix} Advocate Health Care (2013). *2014 Tobacco Surcharge Frequently Asked Questions*. Retrieved from <http://benefits.advocatehealth.com/documents/Tobacco-SurchargeFAQs.pdf> (last visited 11 June 2013).

^{cccccl} For instance, since the start of 2013, Duke University has started to add a US\$ 10/month tobacco surcharge to the insurance of its employees who consume tobacco products. The add-on fee can only be removed if the affected employee agrees to finish a tobacco cessation program. Another employer, the General Electric (GE) Company, collects tobacco surcharge from its company personnel who smoke, thus enabling non-smoker GE personnel to save roughly US\$ 625 on their insurance premiums. [Sources: Green, Marsha A. (2012). “Duke To Add Tobacco Surcharge To Insurance.” *Duke Today*. Posted 05 June 2012. Retrieved from <http://today.duke.edu/2012/06/tobaccosurcharge> (last visited 11 June 2013); General Electric Company. *Benefit Highlights*. Retrieved from <http://www.gecapvetjobs.com/benefits%20highlights%20-%20core.pdf> (last visited 11 June 2013).]

^{cccccli} American Lung Association (2012). *Tobacco Surcharges*. Retrieved from <http://www.prevent.org/data/files/actiontoquit/factsheet%20-%20tobacco%20surcharges.pdf> (last visited 11 June 2013).

^{ccccclii} American Lung Association (2012). *Tobacco Surcharges*. Retrieved from <http://www.prevent.org/data/files/actiontoquit/factsheet%20-%20tobacco%20surcharges.pdf> (last visited 11 June 2013).

^{cccccliii} Philip Morris Inc., R.J. Reynolds, Brown & Williamson, and Lorillard

^{cccccliv} National Association of Attorneys General (1998). *The Master Settlement Agreement*. Retrieved from http://www.naag.org/backpages/naag/tobacco/msa/msa-pdf/MSA%20with%20Sig%20Pages%20and%20Exhibits.pdf/file_view

^{ccccclv} Martinez, Laura & Kramer, Ilyse (2012). *Tobacco Settlement Revenues: A Five-year Trend Report*. Retrieved from <http://www.financeproject.org/publications/FiveYearTrend.pdf> (last visited 14 October 2012).

^{ccccclvi} Chapter III (a) of the MSA stipulates: “*Prohibition on Youth Targeting* - No Participating Manufacturer may take any action, directly or indirectly, to target Youth within any Settling State in the advertising, promotion or marketing of Tobacco Products, or take any action the primary purpose of which is to initiate, maintain or increase the incidence of Youth smoking within any Settling State.”

^{ccccclvii} As defined by the MSA, “‘Relative Market Share’ means an Original Participating Manufacturer’s respective share (expressed as a percentage) of the total number of individual Cigarettes shipped in or to the fifty United States, the District of Columbia and Puerto Rico by all the Original Participating Manufacturers during the calendar year immediately preceding the year in which the payment at issue is due (regardless of when such payment is made), as measured by the Original Participating Manufacturer’s reports of shipments of Cigarettes to Management Science Associates, Inc. (or a successor entity acceptable to both the Original Participating Manufacturers and a majority of those Attorneys General who are both the Attorney General of a Settling State and a member of the NAAG [National Association of Attorneys General] executive committee at the time in question). A Cigarette shipped by more than one Participating Manufacturer shall be deemed to have been shipped solely by the first Participating Manufacturer to do so. For purposes of the [**7] definition and determination of ‘Relative Market Share,’ 0.09 ounces of ‘roll your own’ tobacco constitutes one individual Cigarette.”

ccclviii Campaign for Tobacco-Free Kids (2003). *Summary of the Master Settlement Agreement (MSA)*.

ccclix “Each state can eliminate the risk of any such payment reductions if it passes a ‘Qualifying Statute’ that neutralizes the cost disadvantage of the participating manufacturers vis-à-vis nonparticipating manufacturers. Passing a Qualifying Statute does not automatically increase or decrease the amounts paid to a state, it just protects against a reduction in payments in the event a nonparticipating manufacturer gains market share. Exhibit F to the agreement sets forth a model statute that automatically qualifies as a Qualifying Statute upon passage if it is neither changed nor added to prior to its implementation. The model statute requires nonparticipating manufacturers to make payments into a special escrow account in amounts equal to what they would pay the states if they signed onto the settlement agreement. The escrow amounts can be used only to satisfy any judgments or settlements the states happen to obtain against the nonparticipating manufacturers, and are otherwise returned to the nonparticipating manufacturers 25 years after going into escrow. All of the states have passed a model statute and many are taking additional legislative action to force non-complying nonparticipating manufacturers to make all required payments.” [Source: Campaign for Tobacco-Free Kids (2003). *Summary of the Master Settlement Agreement (MSA)*.]

ccclx The Campaign for Tobacco-Free Kids, however, argues that “the agreement does not block any potential claims against the tobacco companies based on future actions not related to the use of or exposure to their tobacco products, nor does it block lawsuits by Indian tribes or private citizens, including class actions,” adding that “it also does not affect any possible lawsuits that might bring criminal charges against the tobacco companies.” [Source: Campaign for Tobacco-Free Kids (2003). *Summary of the Master Settlement Agreement (MSA)*.]

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ccclxxvii Alcohol abuse imposes costs on the economy as well as on public health (e.g., mortality, morbidity, and violence it produces). In 1998, the estimated economic cost of alcohol abuse in the United States was about US\$ 200 billion. [Source: Chaloupka, Frank J. (2009). *Alcoholic Beverage Taxes, Prices and Drinking [Commentary]*. *Addiction*. DOI: 10.1111/j.1360-0443.2008.02486.x.]

In the European Union, “based on a review of existing studies, the total tangible cost of alcohol... in 2003 was estimated to be €125bn (€79bn-€220bn), equivalent to 1.3% GDP, which is roughly the same value as that found recently for tobacco. The intangible costs show the value people place on pain, suffering and lost life that occurs due to the criminal, social and health harms caused by alcohol. In 2003 these were estimated to be €70bn, with other ways of valuing the same harms producing estimates between €150bn and €760bn.” [Source: Anderson, Peter & Baumberg, Ben (2006). *Alcohol in Europe: A Public Health Perspective*. A report for the European Commission. United Kingdom: Institute of Alcohol Studies.]

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ccclxxxv The World Food Programme (WFP) also came up with an idea to run a “humanitarian lottery,” which would facilitate selling of scratch tickets worldwide for only €1. It projected that the scheme could raise about €400 million every year. Under the proposal, a lottery winner would be given a monetary prize of €20 to €100, or a free trip to a development project site. [Source: Leading Group on Innovative Financing for Development. *Global lottery*. Retrieved from <http://leadinggroup.org/article200.html> (last visited 10 October 2012).]

ccclxxxvi Addison, Tony & Chowdhury, Abdur R. (2003). *A Global Lottery and a Global Premium Bond*. UNU-WIDER Discussion Paper No. 2003/80. Retrieved from http://www.wider.unu.edu/publications/working-papers/discussion-papers/2003/en_GB/dp2003-080/_files/78091735623926785/default/dp2003-080.pdf (last visited 07 June 2013).

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cccxc Girishankar, Navin (2009). *Innovating Development Finance: From Financing Sources to Financial Solutions*. The World Bank. Policy Research Working Paper 5111.

cccxcj “In the UK premium bond scheme, people buy savings bonds, each with a unique number that is entered every month in a prize draw, with prizes ranging from £50 to £1 million (a random number generator, nicknamed ERNIE, picks the winners). The size of the total prize allocation is set so that the expected return is equivalent to the yield on UK government stock. Individual bond holders may receive a return substantially above or below the average expected return, but in aggregate bond holders get the average if they hold the maximum permitted amount of bonds (which is £30,000 per person). Winners can opt to reinvest their winnings and many people accumulate sizeable holdings in this way (and since the maximum is per person, not per household, families can potentially hold significant wealth in premium bonds). With average luck, a holder of £30,000 of bonds will win 12 prizes per year; given the minimum prize

of £50, such an average winner will take home a minimum of £600 per year in prizes.” [Source: Addison, Tony & Chowdhury, Abdur R. (2003). *A Global Lottery and a Global Premium Bond*. UNU-WIDER Discussion Paper No. 2003/80. Retrieved from http://www.wider.unu.edu/publications/working-papers/discussion-papers/2003/en_GB/dp2003-080/_files/78091735623926785/default/dp2003-080.pdf (last visited 07 June 2013).]

cccxcii Reisen, Helmut (2004). *Innovative Approaches to Funding the Millennium Development Goals*. Policy Brief No. 24. OECD Development Centre. Retrieved from <http://www.oecd.org/dev/pgd/30880682.pdf> (last visited 07 June 2013).

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cccxcv Addison, Tony and Abdur R. Chowdhury (2005). “A global lottery and a global premium bond.”

cccxcvi Addison, Tony & Chowdhury, Abdur R. (2003). *A Global Lottery and a Global Premium Bond*. UNU-WIDER Discussion Paper No. 2003/80. Retrieved from http://www.wider.unu.edu/publications/working-papers/discussion-papers/2003/en_GB/dp2003-080/_files/78091735623926785/default/dp2003-080.pdf (last visited 07 June 2013).

cccxcvii Addison, Tony, Mavrotas, George, McGillivray, Mark (2005). *Aid, debt relief and new sources of finance for meeting the millennium development goals*. Research Paper. UNU-WIDER. United Nations University (UNU) No. 2005/09, ISBN 9291906867.

cccxcviii Atkinson, AB (2004). *New Sources of Development Finance: Funding the Millennium Development Goals*. UNU World Institute for Development Economics Research (UNU-WIDER)

cccxcix Reisen, Helmut (2004). *Innovative Approaches to Funding the Millennium Development Goals*. Policy Brief No. 24. OECD Development Centre. Retrieved from <http://www.oecd.org/dev/pgd/30880682.pdf> (last visited 07 June 2013).

cd Like yachts, airplanes, high-end cars, expensive jewelry, etc.

cdi Like five-star accommodation in hotels, spas, wellness and fitness centers, etc.

cdii Such as purchase of an expensive real estate property in a high-end village exceeding a certain limit set by a government

cdiii Historical Tax Law Changes Luxury Tax on Cigarettes and Tobacco. Retrieved from <http://www.azleg.gov/jlbc/08taxbook/luxtacig.pdf> (last visited 07 August 2013).

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cdxxx Taskforce on Innovative International Financing for Health Systems. *More money for health, and more health for the money*.

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cdxl Like in the case of Australia which imposes the tax only on corporations earning more than \$75 million

cdxli Stenberg, K., Elovainio R., Chisholm, D., Fuhr D., Perucic, A.M., RekveD. and Yurekli, A. (2010). *Responding to the challenge of resource mobilization - mechanisms for raising additional domestic resources for health*. World Health Report. Background Paper No. 13.

cdxlii **Resource curse** (a.k.a. Paradox of Plenty) "falls upon countries who have vast natural resources but whose populations do not seem to reap the economical benefits from them"; while **Dutch disease** is an economic condition that occurs "when an increase in revenues from natural resources (or inflows of foreign aid) raises the value of that nation's currency which results in exports becoming more expensive, making the manufacturing sector less competitive, governance, conflict, excessive borrowing, inequality and volatility." [Source: Stenberg, K., Elovainio R., Chisholm, D., Fuhr D., Perucic, A.M., RekveD. and Yurekli, A. (2010). *Responding to the challenge of resource mobilization - mechanisms for raising additional domestic resources for health*. World Health Report. Background Paper No. 13.]

cdxliii Stenberg, K., Elovainio R., Chisholm, D., Fuhr D., Perucic, A.M., RekveD. and Yurekli, A. (2010). *Responding to the challenge of resource mobilization - mechanisms for raising additional domestic resources for health*. World Health Report. Background Paper No. 13.

cdxliv Hurley, Gail (2012). Innovative Financing for Development: A New Model for Development Finance? UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 06 October 2013).

cdxlv Aside from the Global Fund, other multilateral organizations may also be tapped for a new Debt2Health swap schemes.

cdxlvi Hurley, Gail (2012). Innovative Financing for Development: A New Model for Development Finance? UNDP Discussion Paper. Retrieved from http://www.undp.org/content/dam/undp/library/Poverty%20Reduction/Development%20Cooperation%20and%20Finance/InnovativeFinancing_Web%20ver.pdf (last visited 06 October 2013).

cdxlvi Taskforce on Innovative International Financing for Health Systems. *Taskforce Factsheet: Debt2Health*.

cdxlvi “Under the Debt2Health agreement, the creditor agrees to forgo repayment on a portion of loans on the condition that the beneficiary country invests an agreed-upon counterpart amount in health through the Global Fund. The claim amount cancelled depends on the discount rate offered by the creditor. For example, if a creditor was to offer US\$ 50 million in claims based on a 50 percent discount, the beneficiary country would make a counterpart payment of US\$ 25 million—half of the amount that would be cancelled. The counterpart amount is transferred to the Global Fund Trustee, where it is recorded as donor-restricted funding for projects in the beneficiary country. Consistent with the Comprehensive Funding Policy of the Global Fund, which governs the ways on how contributions are received, the counterpart payment can be made in the form of cash or a promissory note or a mixture of both.” [Source: The Global Fund. *DEBT2HEALTH: The Debt Conversion Initiative of the Global Fund*. Retrieved from http://aidsalliance.3cdn.net/9d38aa9b63a2f6ff71_q0m6vq0ta.pdf (last visited 22 July 2013).]

cdxlix “For donor countries, Debt2Health helps to harmonize their aid contributions, stabilize their aid quota and recover a portion of debt that they might otherwise not recover at all. Debt2Health increases the political visibility of the parties involved and demonstrates their commitment to the Global Fund and the fight against AIDS, tuberculosis and malaria. Finally, Debt2Health forges international solidarity between debt and health advocates and movements in North and South.” [Source: The Global Fund. *DEBT2HEALTH: The Debt Conversion Initiative of the Global Fund*. Retrieved from http://aidsalliance.3cdn.net/9d38aa9b63a2f6ff71_q0m6vq0ta.pdf (last visited 22 July 2013).]

cdl “For recipient countries, Debt2Health offers a reduction in the level of debt and debt servicing, increased resources to address urgent health problems, the ability to pay off debt in local currency and to increase domestic investment in public health. Money that would have been paid to creditor countries is instead invested in public health. Moreover, since the beneficiary country is required to make the counterpart payment out of its own resources, Debt2Health helps to further strengthen local ownership.” [Source: The Global Fund. *DEBT2HEALTH: The Debt Conversion Initiative of the Global Fund*. Retrieved from http://aidsalliance.3cdn.net/9d38aa9b63a2f6ff71_q0m6vq0ta.pdf (last visited 22 July 2013).]

cdli A PRSP is a national document that examines the root causes of poverty in an HIPC and maps out workable strategies to address them. It has gradually become “the basis for multi- and bilateral donors aid allocation and is seen as a means of improving the effectiveness and efficiency of development assistance.” [Source: Overseas Development Institute (2005). *Background Information on Poverty Reduction Strategy Papers and the Water Sector*.]

cdlii Taskforce on Innovative International Financing for Health Systems. *More money for health, and more health for the money*.

cdliii Taskforce on Innovative International Financing for Health Systems. *Taskforce Factsheet: Buy-Downs*.

cdliv Development resources coursed through PRSPs have multiplied through the years as more and more partners have adopted them since its inception. PRSPs may be considered as a new reform funding tool stimulating health financing in HIPCs, and obliging these countries “to reprogram the bulk of their savings from forgiven debt into social sectors, such as health and education.” [Source: George Schieber, et. al. (2006). “Financing Health Systems in the 21st Century.” In *Disease Control Priorities in Developing Countries* (2nd ed.). The International Bank for Reconstruction and Development / The World Bank.]

cdlv Taskforce on Innovative International Financing for Health Systems. *Taskforce Factsheet: Debt2Health*.

cdlvi Taskforce on Innovative International Financing for Health Systems. *Taskforce Factsheet: Debt2Health*.

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